ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 168 Number 4712 — New York, N. Y., Thursday, July 1, 1948 — Price 30 Cents a Copy

New Draft Law

Writer cites handicaps on students attending college, imposed by draft law. Holds whole defense program hysterical, endangering both our economic and financial system.

Now that the new draft law has been passed by Congress and signed by the President it is well to consider the import of its terms to the young men who will be affected by it, particularly those who are present or prospective college students. Students who are veterans of the recent war are exempt from the draft and presumably will not be disturbed in their studies, but young men who are not in this category and who are taking a college course at their own expense will find the law extremely disruptive, to say the least.

Young men who were enrolled in college before the law was signed by the President are deferred until the end of the college year. This means that the present college students will not be called up until about a year hence. But take the case of a young man who, at 20, has just finished his first year at college and is enrolled for a second year. After completing half his college career, he is liable to be drafted for 21 months' service. When he comes back from this service he will have attained the age of 23.

Will the 'Drafted' Student Want to Resume His College Studies?

At that age, and after complete disruption of his studies, it is even doubtful that he will want to return to school to finish his course. But if he should desire to do so, he would still be obliged to join an active reserve unit such as

(Continued on page 32)

Financial Aspects Of Business Outlook

By WILLIAM A. McDONNELL*
President, First National Bank in St. Louis

Midwestern banker traces recent economic developments and contends, because of confusion and misunderstanding about major economic problems, progress in industrial production is not as great as presumed. Cites inadequate supply of essential materials and production shortages as indicating need for capital goods expansion. Blames high taxes, excessive government spending and defective monetary policies for slow industrial capacity increase. Says business boom continues, but "the picnic is just about over."

The American economy has weathered fluctuations of extreme magnitude during the past 20 years. In the early 1930s our major economic problem was presented as one of over-production, and was often referred to as "starvation amid plenty." The United States was supposed to have become economically mature. It was said that we faced a future in which production would be continually in excess of demand. It was erroneously assumed that a more equitable system of distribution would correct the existing maladjustments. As a result, government policy took the shape of a planned campaign to decrease production and to increase monetary incomes. Legislation was enacted to restrict agricultural production and, through such devices as the NRA, to encourage businessmen to get together, for the purpose of restricting indus-

Wm. A. McDonnell

*An address by Mr. McDonnell at the Annual Convention of the Arkansas Bankers Association, Hot Springs, Ark., May 26, 1948.

(Continued on page 26)

Gutt of International Monetary Fund Answers Some Questions

By HERBERT M. BRATTER

Spokesman of Monetary Fund, in answering queries, declares: (1) Fund has been able to adapt itself to present unsettled conditions and its activities have not been seriously hampered by defects in its Articles of Agreement; (2) action of France in devaluing franc does not indicate defiance of Fund or that Fund members can do as they please; (3) premium gold markets for domestic transactions or subsidies for gold production are not necessarily contrary to Fund's dictates and do not indicate impotency of Fund; and (4) the Fund, despite handicaps, has helped its members.

In recent months the International Monetary Fund has had to handle some difficult problems posed by member countries. For example, there were the cases of Ecuador's new multiple rates of exchange, Canada's subsidy to gold mining, and France's devalua-

Herbert M. Bratter

Camille Gutt

tion of the franc last January. Similar problems are now being posed by Southern Rhodesia's recently-announced plans to subsidize gold and by Colombia's decision to give a favored rate of exchange to certain exports and to penalize different categories of imports by special taxation with-

(Continued on page 24)

EDITORIAL

As We See It

More Light Later — We Hope

"We also have been infected with the European intermittent fever of creeping totalitarianism. It has been a mingling of germs from Karl Marx and Mussolini, with cheers from the communists. This collectivism has slowly inserted its tentacles into our labor unions, our universities, our intelligentsia and our government.

"Our difficulty lies not so much with obnoxious communists in our midst as with the fuzzy-minded people who think we can have totalitarian economics in the hands of bureaucracy, and at the same time have personal liberty for the people and representative government in the nation.

"Their confused thinking convinces them that they are liberals — but if they are liberals, they have liberalism without liberty. Nor are they middle-of-the-roaders as they claim to be; they are a halfway house to totalitarianism."

These eminently wise sentences are taken not from the Republican platform, as one might expect at this time, but

(Continued on page 28)

Credit Policy — Constructive or Catastrophic

By KENTON R. CRAVENS *

Vice-President, Mercantile-Commerce Bank & Trust Company, St. Louis.
Member, Credit Policy Committee, American Bankers Association.

Asserting most serious credit situation today is government's life-and-death control over industry, prominent Mid-Western banker sees future interest rates as another imponderable factor, also dependent on government policy. Cites consumer and commercial credit shortages as restricting business, but despite this favors deferring personal credits for more difficult times. Advises banks to carefully scrutinize loans, to restrict tendency toward personal loans and to support sound national fiscal policy by preventing credit over-expansion

We think of lending money as a relatively simple operation, advancing funds to a customer after satisfying ourselves, by collateral or other means, that we will probably get our money back. Yet our present volatile economy has made this simple operation most complex, and now we have many additional factors which make bank credit policy even more complicated—what I call today's credit policy dilemma, which can either be constructive or catastrophic. By credit policy, I mean to include all of the factors that go into reaching loan decisions, including the matter of interest rates. Some of these have little to do with pure credit considerations, yet everything to do with the attractiveness of a loan.

Kenton R. Cravens

Now probably all of us go through virtually a roughly similar process in evaluating any credit or establishing any credit policy, including using every known credit yardstick in moderate industrial appraisal, but I am sure we very often end up in a dilemma caused by factors beyond our jurisdiction. I refer primarily to our government's life-or-death control over any industry, and to other factors equally important outside of our jurisdiction.

Government's Life-and-Death Control Over Industry

I have no illusion that my discussion today can simplify our predicament. It can—and I hope it will—result in our giving more attention to these factors which can make or break the best of credits. The most serious element that we have to deal with is the one I have already mentioned, which is the government's life-and-death control over industry. As a matter of fact, every commercial, agricultural, or consumer loan you have can be rendered almost uncollectible by an act of your government. While this has been the trend since 1933, it is now a very real danger. Before the war the international situation and our foreign policy were not such as to command public support for such extreme Federal governmental powers. Today our military and cold-war controls, actual or potential, extend to every phase of American business, including manpower, raw materials, and the market itself. Minimum wage and hour and labor laws establish the labor cost of American business. The potential threat of rationing, priorities, and allocations determines the availability and the price of the raw materials of American business. The heavy purchases of our government for the European Recovery Program and for cold-war and military purposes, not only become a big market factor in themselves, but can create shortages which in many instances could make it impossible for some concerns to continue in business.

Even the strongest and biggest corporations can be ruined by unsound labor legislation. A shorter work-week with time-and-a-half and double time for overtime could wreck many companies, as well as our economy as a whole.

For example: The great misjudging of a post-war depression, with government pressure for huge hourly increases in 1945 and 1946 to get private industry to prime the pump, was the beginning of this long inflationary spiral.

Right now our government purchases are causing shortages, which are unbalancing manufacturers' inventories and contributing a great deal to price disruptions. This, added to the high existing price level of materials, which is already high, makes working capital most inadequate in many instances. For example, if the steel situation gets any worse, a number of our good customers would be literally forced out of business. Moreover, if we should revert to wartime priorities and allocations, the creditworthiness of many companies would be seriously affected.

Even our commodity loans depend on government subsidies and government purchases. There is no free market today as such, and as a result our price levels and loan values depend on artificial rather than natural elements. We simply must face the fact that we do not have a free economy today; that one control leads to another control and another control, and so on and on, and we cannot rely solely on the same credit factors under these conditions—I mean our normal credit factors.

In a sense, our Administration and Congress in Washington make our individual loans good or bad, and it is a pretty tough job to determine the government controls our economy demands from time to time, and to accurately forecast our national and foreign policy in this hectic national period we are going through today.

Another important and imponderable factor today is the matter of interest rates. With a strong demand for funds, interest rates can be the deciding factor in your loan policy. Certainly the marketability of your intermediate and longer-term loan portfolio is entirely controlled by interest rates.

The day before I came up here, on Tuesday, one of our larger correspondents was attempting to sell at a loss some of its longer-term equipment conditional sales contracts to make room for a heavy local fall demand for funds at higher rates.

Fundamentally our situation today is completely reversed from that of the '20s. Before the depression, business was the principal user of credit, and government borrowing followed the interest pattern set by business. In World War I the attractive interest rates of 3½ to 4¼% on fully or partially tax-exempt government bonds attracted private investors, eliminating the need of protecting the Treasury after the war. The Federal Reserve could then move freely in raising their rates, tightening the money market and holding down the expansion of credit. Today the government is the principal borrower and business borrowing follows the interest pattern set by the government. This is highly artificial and creates a real dilemma in Federal fiscal policy. The Treasury and the Federal Reserve are apprehensive of rising rates of interest lest they disturb the market for government bonds, yet know they must tighten credit to combat inflation. The two policies are irreconcilable.

Today we have an unparalleled demand for funds, yet the incredible phenomena of almost the lowest interest rates in our history. Surely intermediate and long-term lending is most difficult due to an interest rate predicament never before encountered.

This present-day credit complexity becomes even more complicated if the lender, as most banks are presently doing, attempts to key the extension of credit to our national needs. Personally, I whole-heartedly subscribe to the policy that in this full-tilt economy or in any economy, at a time of world unrest, banks have an obligation to adopt lending policies with their sights on national as well as on private interests.

Now government and American Bankers Association officials urge us, and quite properly so, to institute a voluntary control of bank credit as a means of combating inflation, yet it was not very long ago that everyone, even Congress, was highly critical of the banks for not extending enough credit. In fact, only a couple of years ago the American Bankers Association even created special commissions to get the banks to lend more money. Who said this is not a fast changing world?

Don't forget, too, that the individual bank which applies credit restraint policies rigidly will lose and is losing some business to its competitors, business for which it may be very hungry in future years.

To a great extent these special

(Continued on page 30)

*Transcript of an address by Mr. Cravens before the District of Columbia Bankers Association, White Sulphur Springs, W. Va., June 4, 1948.

INDEX

Articles and News — **Page**

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, July 1, 1948

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)
Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Looking Through the Crystal Ball

(Second reading)*

By JACQUES COE

Jacques Coe & Co.

Mr. Coe maintains stock market is in major downtrend which, after interruption by minor upside interruption, will culminate in 1950-'51.

Jacques Coe

The following are my long-term and short-term views of security prices: Looking at the stock market in its broad aspects, we re-emphasize that according to the long-term cycle we reached the top area in the summer of 1946 and are now in a major downward swing of that cycle which should culminate sometime between the years 1950 to 1951. The intermediate and shorter term—40 to 44 months cycle also made a top in the summer of 1946, and since then made a bottom in the spring of 1948. This probability, which became an actuality, was set forth in my "Chronicle" article on Jan. 22, 1948. That particular minor cycle is now in a modest uptrend and should continue upward with interruptions into the fall or winter of 1949, when the minor cycle again turns down and falls "into gear" with the major cycle. Both major and minor cycles should reach their bottom sometime between the years 1950-1951.

The Three Bull Market Legs

On the generally accepted theory that most bull markets have three distinct swings called "legs," I would say that from March, 1948 to the present time, constitutes the first leg of this minor bull market. During that period the discouraged longs continue their selling while the big money is accumulating stocks. The public does not realize we are in a bull market until well along into the second leg, which usually takes longer, being a gradual conditioning process. During this period the public slowly regains confidence, begins to accumulate and positions are built up. The odd lots swing over to the buying side. Brokers' loans begin to expand and new issues gain more popularity.

The third and final phase of the bull market usually is found to be the most exciting, the most volatile and of course the most dangerous. We look for these particular manifestations to reach their maximum intensity some time during the summer and fall of 1949.

The Presidential elections are in November and by the following spring of 1949, much new constructive legislation can be expected. Probably one of the first acts that could help security values more than anything else would be an elimination of double taxation on dividends. Such constructive fiscal legislation and other enlightening business measures could have a tremendously bullish effect.

Furthermore, it is my opinion that a change in administration will create in the minds of the investing public, a feeling that we are in an "era of relief from restraint"; that some of the New Deal practices which were inimical to free enterprise and the capitalistic system as we know it, will be altered and modified in constructive fashion. That in itself should create a spirit of optimism which very well could buttress the groundwork for the higher markets which we expect in 1949.

As to the market at this point, we went on record a few weeks ago to the effect that for the immediate short term we were mildly bearish, which does not mean that we are looking for a drastic break at this level. We do have to digest some of the advance from the lows of March, 1948 to the highs of June. This is the intermission between the first and second legs.

The bull market we are talking about as having completed one leg with two more to go—and having a life expectancy of 20 to 22 months will necessarily be subjected to many stresses and strains—so we enumerate a number of possible situations in the making which could make life miserable for the inveterate bull. They may not hang out their red lights right now but whenever they do—watch your step.

(1) The commodity futures market has been fluctuating between 145 and 153—using the Dow Jones commodity futures index. The sharp commodities decline in January and February of this year has been followed by a minor rally only and to all intents and purposes, a bear market is in the making. Cotton and wheat have had soft spots recently and one should watch those two major commodities closely because they have a dominating influence on other commodities.

(2) The bond market is quite accurate in preceding or following or running simultaneously with the stock market (that is the bond market gets out of gear with the stock market, (that is when there is a "diversion" with stocks going one way and bonds the other), I would say that eight out of ten times the bond market is a forecaster of what the stock market is going to do. For the first time since last March, bonds have been down two weeks in succession. 40 Dow-Jones bonds closed at 100.39 on Friday. If they should go below 100 this week, it would indicate a minor downtrend

(Continued on page 35)

*An antecedent article by Mr. Coe appeared in the "Commercial & Financial Chronicle" of Jan. 22, 1948—*Editor.*

Current Trends in Consumer Financing

By THOMAS W. ROGERS *

Executive Vice-President, American Finance Conference

Expert in consumer credit, though noting rise in instalment sales, sees merely return of same trend as existed prior to war period. Says consumer credit in relation to disposable income is much lower today than in prewar years and reports majority of finance executives are opposed to reinstatement of consumer credit controls. Looks for continued increase in dollar volume of consumer credit as prices rise, but cautions credit executives against false feeling of security.

First, about current general trends in consumer sales financing: (1) Previous to the war period, sales credit constituted between 60 and 65% of all consumer credit outstanding, and money credit totaled some 35 to 40%. At the end of 1947, sale credit represented 55% of the total of all consumer credit then outstanding, and money credit, 45%. This sale credit figure was composed of two major groups: (a) charge accounts and (b) instalment contracts. Charge accounts then outstanding represented 33.8% of the total of all consumer credit, and instalment contracts represented 21.2% of all such credit.

Thomas W. Rogers

(2) During the war period and since, charge accounts for merchandise have represented the largest item, percentage-wise, of the total of consumer credit outstanding. This percentage has ranged from 27 to 30% of this total. At the end of 1947, it was 27%.

(3) Instalment contracts outstanding are divided into two groups: (a) automobile and (b) other merchandise, including household appliances, musical instruments, etc. At the end of 1947, automobile paper represented 8.7% of the total of all consumer credit outstandings, and other merchandise contracts constituted 12.5% of such outstandings, or a total of 21.2% for all instalment contracts then outstanding. At the end of 1941 automobile paper constituted 19.6% of total outstandings, and other contracts, 18.2%, for a total of 37.8% for all instalment contracts. The low point during the war period for automobile instalment paper outstanding was at the end of 1943, when this type of paper represented only 3.2% of all consumer credit debt. At that time, 1943, other merchandise contracts represented 12.0% of all consumer credit debt, making a total of 15.2% for all instalment sale contracts outstanding at the end of that period. The 8.7% figure for automobile paper at the end of 1947 is still less than one-half of the 19.6% figure represented by automobile paper at the end of 1941. Other instalment contracts outstanding at the end of 1947 stood at about two-thirds of their relative position, percentage-wise, at the end of 1941.

(4) Thus it becomes apparent that the decline in the relative position of sale credit, as a percent of all consumer credit debt, during the war period, is to be attributed largely to a sharp decline in instalment sale credit, particularly in automobile instalment sale credit. Since 1945 the percentage of automobiles sold under dealer instalment contracts, as compared with those financed with the proceeds of instalment loans, has been increasing. At the same time, relatively larger percentages of all automobile sales are being made on an instalment payment basis. During recent months the tempo of this trend continues to pick up and to reflect a return to the pattern existing in the automobile sales financing field previous to the war period. The same trends are also apparent in relation to the instalment selling of other merchandise.

Consumer Credit and Disposable Income

At this point I want to advert briefly to another aspect of consumer credit since so many scare headlines have appeared recently about the enormous percentages by which consumer credit is increasing in dollar amounts, particularly instalment credit. I would like to suggest to you that the absolute dollar amount of total consumer debt is no more signficant than the relationship between the dollar amount of that debt and the income which is available to the debtor to liquidate that debt. An individual with a debt of $1,000 and an income of $4,000 is in the same position, relatively, as an individual with a debt of $500 and an income of $2,000. To call attention to a $500 increase in the debt of the individual whose income is now $4,000, as compared with a former income of $2,000, is to get a blurred picture of the situation which actually exists. In interpreting our current situation with reference to trends in consumer credit debt, we must look not only to the totals of this debt, but to the relationship between this debt as a percentage of the total disposable income of the country, as well. Here are a few figures from which you may draw your own conclusions:

(1) From 1929 to 1941 consumer credit outstandings ranged from 9 to 11% of the disposable income of the country, with an average in good times and bad of about 10% of this disposable income. At the end of 1947 total consumer debt represented approximately 7.63% of a disposable national income of $175 billion — a figure much below the average for the prewar years.

(2) A determination of this figure for instalment sales contracts is even more significant. At the end of 1941 instalment sales contracts outstanding represented 4.16% of the disposable income for that year. This figure was composed of 2.11% for automobile paper and 1.95% for other contracts. At the end of 1947, instalment sales debt was only 1.62% of the 1947 disposable income, this figure being made up of .66% for automobiles and .96% for other instalment contracts. As a percentage, this automobile figure was less than one-third of that obtaining at the end of 1941, and for other contracts the figure was less than one-half the amount. When thus analyzed, we get a proper persepective of what these dollar figures we are given, mean. We all know that prices are higher and incomes are greater now than during the prewar period. These facts must be considered when we talk about increases in the dollar amounts of credit.

Consumer Credit Regulations

The subject of consumer credit control is a much-talked-about one, and in many respects is a "hot potato." To some a mere mention of the subject causes a rise in the blood pressure. Others get less excited about it. I have no desire to take a partisan position here on this matter, although I do have some very pronounced personal views on the subject. At this time I shall try to report only what comes to my ears on this subject and to give you, in a brief way, what seems to be the attitude of the sales financing industry toward controls. A few weeks ago I made a survey among a group of sales finance company executives in which I asked them to express their attitudes on credit controls and the restoration of Regulation W. 176 replies were received to this inquiry. Summarized, these replies show that:

(1) 132 executives indicated their opposition to reinstatement of consumer credit controls, either upon a temporary or a permanent basis. The companies represented by these replies operate 202 financing offices.

(2) 43 executives indicated that

(Continued on page 32)

*From an address by Mr. Rogers at the 1948 Convention of the National Association of Music Merchants, Chicago, Ill., June 17, 1948.

Burgess Warns Against Deficit Spending

Tells Graduate School of Banking at Rutgers University, despite Russia's threat to us, resort to Treasury deficits and public debt increase would be road to ruin. Calls for more government economy.

Speaking before the Economics Seminar of the Graduate School of Banking at Rutgers University in New Brunswick, N. J., on June 25, W. Randolph Burgess, Chairman of the Executive Committee of the National City Bank of New York and a former President of the American Bankers Association, called attention to the threat of a renewal of government deficit spending because of the heavy outlays for defense and foreign relief, together with continued extravagance of the Federal Government. Referring to these matters in the light of the heavy national debt, Mr. Burgess stated:

W. R. Burgess

"A public debt of over $250 billion has posed a new and baffling problem to the people of the United States. Public opinion about it is not yet clarified or confident.

"There are indeed some who, led by some harebrained theorists, think the debt does not matter. Other through pure thoughtlessness pay no heed to the debt, and go on advocating and voting for huge new government spending programs without restraint.

"This does not appear to be the typical attitude of the American citizen; for he is seriously concerned about the debt. To him the debt is overpowering; at times he doubts our ability to handle the debt and pay it down. The chief cause of discouragement is our fear of Russia. To meet the Russian threat we are continuing into peacetime vast military expenditures, and at the same time launching a program of aid to Europe and China. To do all this and pay off the debt too is indeed a large order. It is easy to take counsel of despair and assume that we must again go into deficit financing and trust to luck to come through whole.

"This easy course is the road to ruin. It may indeed by just the course that Russia hopes we will follow: to squander our substance in great armament and relief programs—to continue the inflation of prices and the depreciation of the value of the dollar. Such a course might indeed weaken us to the point where our strength was sapped and our moral fiber weakened. For the Russian threat may be with us for many years.

"For these reasons the Committee on Public Debt Policy has for two and one-half years been studying the impact of the debt on the nation and methods of dealing with it. Six studies so far published have analyzed aspects of the problem. The final statement of conclusion is now in preparation and will be published this summer.

"In anticipation of the final report I can only say that the findings will not support a counsel of despair. The Committee believes it is possible for this country to meet its foreign and domestic obligations and at the same time make headway in reducing the debt. The closing of the current fiscal year with a large surplus is encouraging as to our capacity to do so. It should at once be added that this year's results were aided by unusual good fortune, by an abnormally large national income and the real test is yet to come.

"The key to our national power to deal with this critical problem in the future lies largely in government spending. We can't meet our obligations and stay truly solvent without prudent housekeeping, more prudent than our political leaders havs been providing. It is doubtful whether we can keep on spending $40 billion a year and preserve the same human freedoms and economic well-being that we cherish.

"While a substantial part of current spending is essential for our national well-being and the survival of democracy in the civilized world, many expenditures are non-essential or too large. The army of Washington clerks is too large. Some of the veterans' benefits are being abused. This is no time for billions in public works. Prudent housekeeping can trim off enough to make the difference between a deficit and a surplus for debt retirement. This will take courage and care and a willingness to do some politically unpopular things. But it can be done. It is an essential point on which we should ask a firm commitment from candidates for public office in something more than vague and general terms.

"The other basis for hope of our ability to conquer this huge debt lies in the nation's great productive capacity. After each earlier war many have despaired of the ability to deal with the debt, but each time we have honored our obligations and each time we have steadily reduced the debt. For each time we have grown up to the debt: our productive power and our national income have increased to the point where the burden seemed lighter. We can do this again if we preserve with care the freedom and the incentives which have sparked American business enterprise."

Jacquin, Bliss Branch

Jacquin, Bliss & Stanley, members New York Stock Exchange, announce the opening of a Southampton, L. I. office at 25 Main Street under the management of Stanley T. Stanley, resident partner.

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Richard H. Hussey is with Edgerton, Wykoff & Company, 618 South Spring Street, members of the Los Angeles Stock Exchange.

Buckley Bros. Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John T. Collins, Jr., has become connected with Buckley Brothers, 530 West Sixth Street.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production last week remained practically unchanged at the level prevailing in the previous week. Slight decreases in some industries during the week were offset by advances in others with shortages of raw materials and component parts mainly responsible for the losses which took place.

Unemployment insurance claims as in past weeks continued to drop reflecting an increase in the demand for seasonal workers. As a consequence, the level of payrolls continued high.

* * *

At Philadelphia the Republican National Convention on Thursday of last week completed the most important part of its work with the unanimous selection on the third ballot of Governor Thomas E. Dewey of New York by the delegates as the Presidential candidate of their party in the national election to be held in November. On the following day the convention adjourned with the nomination by acclamation of Governor Earl Warren of California as Mr. Dewey's running mate for the office of Vice-President.

In his speech of acceptance Mr. Dewey had this to say: "Our task is to fill our victory with such meaning that mankind everywhere, yearning for freedom, will take heart and move out of this desperate darkness into the light of freedom's promise."

* * *

Resumption of contract negotiations between John L. Lewis, United Mine Workers' President, and the nation's soft coal operators got under way late on Tuesday of last week, following the ruling earlier in the day of Justice T. Alan Goldsborough of the Federal District Court, upholding the miners' position in the long drawn out dispute over pensions.

In rendering his decision, Justice Goldsborough stated: "There seems to be nothing that shocks the mind in the idea that these members of the United Mine Workers should receive $100 a month," and directing his remarks at the counsel for the operators' fund trustee, he added that there was "no justification" for their petition that the program be discarded as illegal.

In his testimony before the Presidential fact-finding board, Mr. Lewis charged the mine operators with an intent to lock out on July 6, the miners upon their return from their ten-day yearly vacation period which began on June 25, and predicted that a work stoppage would occur if the government sought an injunction under the Taft-Hartley Act. He added, however, that a walkout would be avoided if no injunction were issued.

On Friday last, a soft coal working agreement was formally signed replacing the one which expired on June 30, thereby averting a possible nationwide strike by the miners on July 6 following their annual vacation.

The new wage agreement calls for a $1 a day pay boost for the miners and a $100,000,000 a year welfare fund. At the eleventh hour Harry M. Moses, spokesman for coal mines supplying U. S. Steel Corp. and other major steel interests, refused to sign the pact.

New working terms for the soft coal miners boosts the base hourly rate from $1.63⅛, provided in the 1947 contract, to around $1.755. This brings the base pay for an 8-hour day to $14.05 and the weekly base to $70.25, compared with $65.25 under last year's terms. It also raises from 10 cents to 20 cents a ton the royalty collected on all coal mined.

* * *

In the wage-rules dispute of the rail carriers and the engineers, firemen and switchmen's unions, the situation remained deadlocked the past week over demands of the rail workers that wages be increased to 16 cents an hour on top of the 15½ cents an hour recommended by an emergency board.

The new demand was based on the fact that the three brotherhoods originally asked for a 30% wage increase. According to David B. Robertson, head of the Brotherhood of Locomotive Firemen and Enginemen, the three unions are entitled to an additional 17 cents an hour, rather than 16 cents, since the cost of living has gone up to justify this demand.

* * * *

Setting aside a government complaint against 55 shipowners on the East and West Coasts, Federal Judge John W. Clancy on Wednesday of the previous week held that no evidence had been presented to him to show that these shipowners threatened a lockout in the present maritime dispute but he noted that said employers had agreed to maintain the *status quo* for the duration of the 80-day injunction issued by him against the East and Gulf Coast maritime workers which became effective on June 14, last. Similar injunctions are being sought by the Department of Justice against workers on the West Coast and Great Lakes from leaving their jobs.

* * *

High prices continue to plague the American consumer and with the third round of wage increases beginning to make itself felt, the battle to curb the inflationary spiral appears to be a futile one. This is borne out by the Bureau of Labor Statistics which said its consumers' price index last month showed a general price increase of 9.3% over last year; 27.9% over June, 1946, and 72.9% above August, 1939. Food went up 12.4% over a year ago; 44.8% above June of 1946, and 125.6% over August, 1939.

Additional evidence of this grave inflationary trend may be gleaned from the report of the Institute of Life Insurance, which states that, policyholders in the first four months of 1946 have surrendered their policies at a rate of 25% above 1947. This unloading of policies is said to be the heaviest since 1941.

* * *

There was a moderate rise in consumer buying during the week with demand for Father's Day items heavy during the forepart. Seasonal goods of all types sold well and retail dollar volume was well above that of the corresponding week a year ago. Many shoppers continued to shun high priced merchandise.

Wholesale dollar volume held steady in the week and was somewhat above the level of the like week of 1947. The demand for fall

(Continued on page 27)

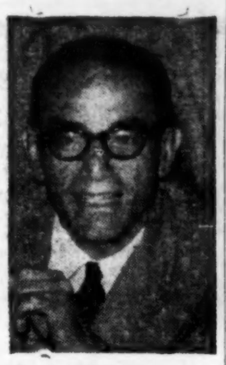
Observations . . .

By A. WILFRED MAY

White House Policies After January 20—??

About a million words a day were poured forth over the telegraph network from Philadelphia by this and other writers last week. Nevertheless precious little indication has been afforded the electorate about the policies which a Republican victory will bring them.

As was pointed out by this observer last week, the new Republican platform carries on such documents' tradition of vagueness and general appeasement. And while their future intentions may be expressed with relative firmness during their coming campaign by the Party's strong candidates, the campaign like the platform necessarily is a vote-catching device. The obscurity has also been accentuated by our system under which the nominee-selection results from the amount of grass-roots political "elbow-grease" expended on the candidate. With Dewey, as with Roosevelt in 1932, the nomination was not awarded as a result of the people's appraisal of their principles but through years of expert politicians' energy in lining up Convention delegates (by the Farleys, Kellys, Hagues and Hearsts for Roosevelt).



A. Wilfred May

Hence, under our democratic process, the real policies likely to eventuate from the elected candidates are discernible, if at all, only by close and shrewd study of their past behavior, considered alongside the pressures likely to be encountered from the future events with which they will be called on to deal.

Vagueness

The Convention doings—including speeches as well as platform—revealed wide open spaces of indefiniteness. For example, the pronouncement by Carroll Reece, Chairman of the Republican National Committee, that there are *"two powerful political forces loose in the world today, the Republican Party in the United States and the Communist Party, and so far as this country is concerned, the struggle for mastery is between these two great political forces,"* surely oversimplifies matters. But at least in the field of foreign relations we do know that Mr. Dewey and Mr. Dulles will follow the present bi-partisan foreign policy being administered under President Truman—despite some indicated departures on relatively minor matters like appropriations and atomic energy.

But the outlook for the domestic scene is subject to many divergent interpretations—despite the fortunate circumstance that Elliott V. Bell, the nominee's chief economic brain-truster, was the platform's most influential fashioner. The uncertainties would include budgetary matters and the currency, labor, rural electrification, a specific attitude toward inflation—but above all, the underlying basic policy toward government interventionism.

Unfortunately, the past statements of the nominee are not too helpful in their preciseness. On labor relations, Governor Dewey's recent expression, "a maximum of voluntary mediation and conciliation and a minimum of government interference and compulsion," does not do very much to compensate for the platform's hiatuses in that sphere. It surely does not indicate how far either Governor Dewey or the even more "Leftish" Governor Warren will go in meeting labor's opposition to the Taft-Hartley legislation. The relevant plank in the platform will presumably offend neither labor nor industry. The electorate is entitled to receive at some time a forthright statement from its chief office-seeker of his position on make-work, feather-bedding, and other devices for wages for work not performed.

Housing

The disposition of the housing problem provides another instance where everyone has been satisfied—including Mr. Taft of the Taft-Wagner-Ellender bill and Governor Dewey within the party, those segments of the populace who have been pleading for the social benefit angles, as well as those anti-bureaucrats of the Hoover philosophy who insist that subsidy be handled on a local rather than on a Federal basis. Thus Senator-candidate Taft told the writer in Philadelphia that the indicated program was satisfactory to him, and likewise Governor Dewey's State Commissioner Stichman, in reviewing the matter with this observer, proclaims his enthusiasm for it on the particular ground that it will quiet the qualms of those who chronically charge the Republican with do-nothingness and at the same time keep the operation on a healthy basis.

And how far President Dewey, when running the executive branch, will go along with the wishes of those like Speaker Martin, Representative Walcott and Senator Baldwin in their opposition to large-scale housing subsidy, poses another open question.

In the sphere of inflation we have no indication about what we are to expect government-wise, nor even to what extent the government is going to inject itself into managing the economy. The platform contains a variety of platitudinous bows to economy and

(Continued on page 35)

Reagan & Young With Merrill Lynch Firm

PASADENA, CALIF.—Bruce V. Reagan and Paul Young have become associated with the newly opened office of Merrill Lynch, Pierce, Fenner & Beane, 575 East Green Street. Mr. Reagan will be manager of the office. Both were formerly associated with Reagan & Co., of which Mr. Reagan was Vice-President.

E. M. Dillhoefer is also with the Pasadena office.

With Olson, Donnerberg Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Herbert C Koehne, Jr., has been added to the staff of Olson, Donnerberg & Co. Inc., 418 Olive Street. He was previously with King Merritt & Co., Inc.

Geyer & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Jarvis R. Call, Jr., is now with Geyer & Co., Inc., 210 West Seventh Street.

America's Best Export

By ELMO ROPER*

Public opinion analyst, in pointing out our best export is not in goods and services but our ideas of democracy and freedom, warns of rising tide of domestic spending, undue credit expansion, and decline in rate of savings. Holds we cannot rally world to democratic cause by merely promising them bread, but must work toward era of increasing productivity, both at home and abroad. Urges support of European Recovery Program as "basic to peace," and says it will do good job if we back up our promises.

Today, the United States is the world's biggest salesman. We are selling things abroad to the tune of $10 billion. And we are loan ing out or giving away, as one kind of free samples of our brand of democracy some $5 to $6 billion more. That's a lot of product.

Elmo Roper

But these tangible things are not all the U. S. has for sale today. We have an idea for sale. That idea is that there is an essential dignity in mankind. That the state exists for man —not man for the state. That man was meant to be free—free from fear, free from coercion, free from sickness, free from want, and, perhaps it isn't too much to hope—free from ignorance.

We believe all those things. But unless we can—and with some speed—convince a good part of this earth's two billion people of those same principles we shall never have permanent peace in the world. And peace is the one thing essential to all other good things of life.

Without it you won't need facts and forecasts to guide the sales executive. Without it no one will need marketing consultants.

What We Have for Sale

So today, I want to talk about what you and I, as citizens of this country, have for sale all over the world.

First though, in order to make a bow to the theme of this particular session, I'd like to offer one fact and make one forecast.

The fact is that we are no longer, as a people, adding to our personal worth as we did during the war, when overtime and the scarcity of things to buy pushed savings up to $25 or $35 billion a year. Savings during the war came to 20 or 25% of tne national disposable income.

Today we are saving not quite 6% of our income. These past three years since the war ended have seen a good deal of the savings rate of American consumers stripped away. Part of the decline in savings has gone into the record purchases of homes, radios and other consumer durables. But part has been siphoned off by higher prices.

As might be expected, this has resulted in a doubling of the indebtedness of the consuming public since 1945. Total outstanding consumer credit of all kinds stands a little over $13 billion today, as contrasted with only $6½ billion in 1945 and $8 billion in 1939.

People are beginning to buy more on the installment plan. Installment credit buying is often regarded as a desirable way to keep up sales in a period when there is a shortage of savings. But, the people who buy on the credit plan today are purchasing with a cheap dollar, and it may be that they will eventually have to pay back their borrowings with a dear dollar. This is a danger point in our credit structure, which should be watched very carefully. Because it is the sales of business which will suffer most if that structure becomes so top-heavy it topples from its own weight.

Decline in Personal Savings

This decline of personal savings plus the tedency to take to credit buying during a period of record-high costs is a warning to the price structure of our consumer goods industries. I think there is plain handwriting on the wall that the price structure must level off or the country must face an indeterminate period of rising individual debt and resultant industrial unrest. This is one fact we should give careful attention to in the coming months.

Now, here's the one forecast I promised. And it's not, as you might have expected, an election forecast. Despite the fact that savings are decreasing, there is still a fair amount of wealth which people have accumulated. Earnings continue high and hope for the immediate future continues high. Rearmament will keep a good many people busy. Fulfilling our obligations under the Marshall Plan, if Mr. Taber and others let us fulfill them, will keep a good many more busy. I see no signs of an early depression. True, some of the luxury businesses are having an increasingly tough time. True, more and more products will pass from the sellers' field into the buyers' field. True, there will have to be more value for the dollar built into many more lines. True, American management and labor must find ways to increase production per man hour now that the biggest customer for American business is not the American war machine. But an early depression,

(Continued on page 34)

*An address by Mr. Roper before 13th Annual Convention of the National Federation of Sales Executives, New York City, June 16, 1948.

A $6 Million Shell Game

By JO BINGHAM

Noting Commodity Credit Corporation has been buying peanuts at rate of 20,200 tons a month largely under farm price support program, writer points out dealers and manufacturers of the product are losing business with parity support and consumers are cutting down their consumption.

Uncle Sam is a peanut vendor, and a big one. The Commodity Credit Corporation, which is the federal super-market, has been buying peanuts at the rate of 20,200 tons a month. From July, 1947 through March, 1948, the total goober take was 363,663,331 pounds, including purchases for general supply, export programs and price support operations.

Jo Bingham

But it's mostly purchases in the price support program that are contributing to the high cost of feeding pigeons. And not only pigeons: think of the kids of the nation and the baseball fans. Candy-makers and peanut butter producers are annoyed, too. When Fanny Brice said a kid's nickel today wasn't worth a dime, she was right. Parity support and other forms of inflation have hit the goober. In shells, in salt, or in cellophane, an old-fashioned nickel's worth-o'-peanuts will cost you about 11 cents today.

How? Translating the nickel's worth of goobers into parity price terms is the best answer. A base price is established on the 1909-1914 price record. For peanuts this is 4.8 cents. But the "parity" price is a kind of exchange value for the cost of things the farmer buys. For example, with the nickel he got for his peanuts in the base period 1909-1914 he could buy "so much"; whatever it costs him now to buy "so much" is the parity price. This was 12 cents on Jan. 15, 1948. On that same date, however, the average price received by the farmers in the market was 10.1 cents.

This is the kind of situation that government price support is designed to correct. Therefore, to see that the farmer gets a price of 90% of parity, Uncle Sam starts to buy and sell peanuts. At this business he often loses. For example, the President's Budget says that by June 30 the government expects to have sold $32,740,708 worth of peaunts at a loss for the year of $3,750,000. And, about the middle of June, it looked as if that guess had been a good guess. Peanut addict or taxpayer, you may care to be warned that the predictions for 1949, although they may be as accurate, are even worse: cost of goobers to be sold, $33,900,000; loss on sales, $6,150,000. These are big stakes for a shell game.

The price support activities should not be confused with the subsidy payments made in connection with price **control.** Subsidy payments were a wartime device. They ended for peanuts on Oct. 16, 1946. The price support program, which began in 1933, continues to exist. But peanuts are not just peanuts in the price support program. As a "basic" commodity, on which price support is mandatory, they are "peanuts for nuts." As a "Stegall" commodity they are "peanuts for oil," and support is maintained through loans, purchases, and other operations. However, there is no mandatory price when the Commodity Credit Corporation sells peanuts as peanuts for oil. But when it sells peanuts for nuts, it must sell at 90% of parity.

Among those who don't like this are the fellows who use peanuts for nuts in their business. They say it isn't cricket to aid and abet the farmer and not the consumer, that it would cost the government only a few million more to give pigeon-feeders and the Dodger fans a break. They want to sell more peanut products and at lower prices; but they're losing business with parity support. The consumption of salted peanuts dropped 30% last year, and peanut butter, 40%. Congress has even been told that there are fewer and fewer peanuts per bar of candy, that peanuts for candy are practically pricing themselves out of the market. The industry, therefore wants Uncle Sam to help by selling to the manufacturers at 72% of parity, the same peanuts purchased from the farmer at 90% of parity. Then peanuts would cost less on the market.

The take-home price might be lower, but they wouldn't really cost less. In fact, Congressman Pace of Georgia told the House on June 12, 1948, that this would cost the government $50,000,000, "and no such thing should be done." That extra cost would be added to the $6,000,000 mentioned above and passed along to the taxpayer. A sugar-coated price with a hopped-up dose of taxes is not the answer.

The solution isn't to load up the price support structure with new gadgets, but to cut and revise it. There is fairly general agreement on this. The trouble is the technical problem of **how**; and there are a number of possibilities.

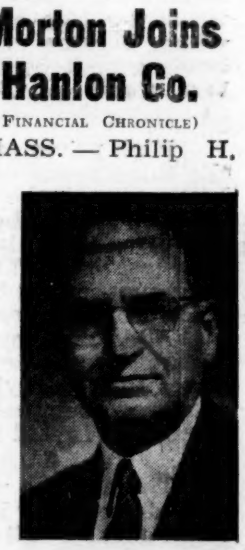
However, although economists and legislators alike worked toward some long-term answer to the whole question of parity support, effectively speaking, the *status quo* has so far merely been extended. In the closing hours of the 80th Congress a compromise of the short- and long-range bills for farm support was passed. This will continue through 1949 the present parity support practices. The long-range aspects would not become effective until Jan. 1, 1950, and revision of the parity formula is likely long before that. Since this bill was a temporizing action, passed hastily, it is felt that action will again be taken on the question when the legislators return to Washington.

In the meantime you will know why the candy maker said to the farmer, "Brother, can you spare a peanut?"

Philip H. Morton Joins Gordon B. Hanlon Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Philip H. Morton has become associated with Gordon B. Hanlon & Co., 10 Post Office Square, members of the Boston Stock Exchange. He was formerly with C. S. Jeffrey Co. and prior thereto was Boston manager for Ira Haupt & Co. In the past he conducted his own investment business in Auburn, Maine.



Philip H. Morton

From Washington Ahead of the News

By CARLISLE BARGERON

About midnight of the Thursday that Dewey had been unanimously nominated for the Presidency at Philadelphia, I was walking to my out of the way hotel. As I passed the hotel in which Senator Vandenberg was living, he was standing out in front waiting for a friend to bring up the car. I have never seen a loser more elated. His high spirits exuded to the scores of passersby who stopped and expressed their disappointment that he didn't get it.

Carlisle Bargeron

I thought I would put in my oar.

"Senator," I said, "you should have gotten in there and pitched. It might have been different."

Laughing heartily, he said:

"Carlisle, you aren't kidding me and none of the rest of them were kidding me. They wanted to use me to stop Dewey."

Which is a fact and it is also a commentary on the Eastern newspapers that for weeks had been building him up and predicting his nomination. They were not kidding. They were serious.

But the Vandenberg movement among the politicians was a stop-Dewey movement. It was one of those things which might have gotten away, of course, but the fact is that it never created a ripple at the convention.

The propaganda of the global minded journalists and commentators was about as raw at the convention, and during the weeks immediately preceding it, as anything I have ever seen in this country.

There never was the slightest isolationist - internationalist division at the convention except as these propagandists made it and the only basis they had was the various personalities. Taft, for example, sought to cut the Marshall Plan fund by a billion dollars. He is therefore an isolationist. Vandenberg fought for the higher figure. He is therefore an internationalist.

The House Appropriations Committee did cut the actual appropriation. Martin is Speaker of the House. He is therefore, an isolationist. So it might be said of the House because it voted overwhelmingly for the committee's recommendations. It is entirely forgotten that it was Martin who sent a committee to Europe last year, headed by Chris Herter, and that it was this committee's report that made the Marshall Plan possible.

The only difference between Taft and Vandenberg or Martin and Vandenberg is that Taft and Martin want an auditing of the global minders' requests. Vandenberg is apparently freer.

He wrote the foreign policy plank which appears in the platform. No one, to my knowledge, at anytime questioned it. There was never the slightest opposition to it.

Senator Henry Cabot Lodge, the platform committee chairman, added a line in the original draft to the effect that the Republicans pledged to appropriate the amount authorized. But none of the so-called isolationists raised any objection to this. Senator Milliken, Chairman of the Senate Finance Committee, did. He pointed out that it was ridiculous. Lodge readily agreed and it was withdrawn.

I have read many words since the convention that the isolationists were definitely put in their place, that the global minders are in the saddle. I know of nothing that was considered of less importance among the delegates than this so-called issue. And certainly if there was such a division, neither side can claim Dewey or Warren. They constitute, instead, the ideal compromise.

I did run into an interesting thing as to what is going through the mind of General Eisenhower. A Middle Western editor of considerable influence, supporting Dewey, wrote an article for a Philadelphia paper purporting to tell what the General is thinking. It represented him as wanting no part of politics but he would feel it incumbent to warn the country if either Taft, Joe Martin or Bricker were nominated.

A few hours after the article appeared, a splendid piece of Dewey propaganda, I ran into an unquestionably intimate friend of the General's. I told him of the article and suggested the General should be told he was being used in this way.

To my amazement he said that was just what the General intended to do. He didn't intend, said this intimate, to permit the great work he had done to be undone.

I somehow wish one of the three outcasts had been nominated so the General could have gotten into the campaign. It would be interesting to see what happened to him.

Then to get back to Washington and learn that Truman is so disgusted with Europe that he is wondering if "saving" it is worthwhile—it is just too much. One's sides ache.

Mr. Stassen left word with the country before surrendering that he would continue to lead, within the party, the country's young liberals. He must mean those Frank Sinatra urchins he had following him about the convention, squealing and oohing. But four years from now he will be four years older and so will the urchins.

Frank Lynch V.-P. Of Blair & Co., Inc.

Blair & Co., Inc., 44 Wall Street, New York City, announces the election of Frank Lynch as Vice-President of the firm. Mr. Lynch has been with Blair & Co., Inc., for about 25 years and head of its municipal bond department for several years.

J. Thomas Sebald Opens

(Special to THE FINANCIAL CHRONICLE)

MIDDLETOWN, OHIO — J. Thomas Sebald is engaging in a securities business from offices in the Savings and Loan Building.

Oil and National Policy

By JOSEPH E. POGUE*

Vice-President, Chase National Bank of New York

Prominent oil expert, after reviewing current oil problems, holds best way of promoting our national welfare and security in oil is through private enterprise. Warns government should avoid restrictive or hastily conceived measures but should leave industry, already fortified by skill, experience and aggressiveness, to continue its technological advances, and, by use of American capital and managerial skill, continue to make leading contributions to world recovery and world peace. Gives details of design for a national oil policy.

The Rocky Mountain Oil and Gas Association is composed of men who typify the qualities which have made the American Petroleum Industry great. A sound national oil policy, therefore, must conserve and promote those characteristics of initiative and enterprise without which a business as complicated as oil would have difficulty in functioning and growing. Like the oil industry itself, the men in this audience are young in spirit but mature in experience. Their instincts are superior to those of the proponents of centralized planning, for the former are determined by the interests of the individual whereas the latter are prompted, consciously or unconsciously, by the principles of collectivism. In this attempt to formulate the elements of a national policy, I have drawn heavily on the intuitive reactions of the independent oil operator, not only because I have witnessed them in successful action but also because they advance the dignity of the individual against the encroachment of the state and therefore are the soul of demoncracy.

Joseph E. Pogue

Policy Defined

What do we understand by policy? Webster defines it as "a settled or definite course or method adopted and followed by a government, institution, body, or individual." I would call it "the promotion of means to gain predetermined ends." Thus policy can be either good or bad, according to whether the means are effective or the ends are sound. This leaves much room for controversy, for "effective" and "sound" do not carry the same meanings for all. In consequence the question of ideology is involved in all considerations of policy. In this paper the policies appropriate for a democratic state are favored.

The means that hold the greatest promise for the successful conduct of the oil industry in the future would seem to be precisely those which have been effective in the past; namely, private enterprise functioning with the minimum of regulation and so far as possible decentralized. This is precisely the structure of the petroleum industry today and the burden of proof should be upon those who would change it.

The aims of a national oil policy would doubtless be generally accepted as embodying the optimum contribution to rising standards of living, national security, and what might be termed the "good life"—furthering the unfoldment of talent, promoting the cultural aims of society, and advancing the cause of world peace. Thus the ends sought should be a combination of economic and social objectives. Fortunately, the same means are equally effective for these different ends. And contrariwise, means unsuitable for economic improvement are liable to be harmful to the others.

Economic Status of the Petroleum Industry

At the outset it is desirable to appraise the petroleum situation and the nature of the problems involved, for a correct orientation is prerequisite to sound judgment as to what needs to be done. Many official pronouncements on oil are colored by emotional considerations and attuned to the public fancy of the moment rather than to what is fundamentally desirable. The situation should be analyzed and conclusions drawn in the cold light of reason and in harmony with the fundamental forces at work.

The petroleum industry has recently emerged from a prolonged cycle of subnormal prices extending from the early twenties to the midwar period. This cycle was caused by the development of excess capacity in all sectors of the industry as a result of the stimulus of the higher price level resulting from World War I and the incidence upon supply of the technological advances growing out of that period. Thus supply for many years outdistanced demand and brought about an era of very cheap oil. The availability of oil at low prices, in turn, acted as a progressive stimulus to oil consumption which expanded in disproportion to the use of the other forms of energy. Finally, World War II and its aftermath of inflation, by accelerating demand and retarding supply, brought an end to the existence of surpluses and created for the first time in two decades a condition of tension between supply and demand. The industry, accordingly, found it necessary to utilize its normal capacity to the fullest extent, to bring into operation its entire range of high-cost marginal facilities, and to engage besides in an aggressive program of large-scale expansion. In the presence of shortages of critical materials and manpower, this process of catching up is not a short one, especially since many of the social and technological changes growing out of World War II are continuing to exert a very stimulating influence upon oil consumption.

In addition, the shift from coal to liquid fuel, conspicuous during the era of very cheap oil, received added impetus from the uncertainties of supply surrounding the coal industry. In consequence the fuel uses of oil forged ahead of the demands for other oil products, altering the seasonal pattern of consumption from a Summer maximum to a Winter maximum. Thus the industry was confronted with a peak-load problem, made up of a shifted seasonal high superimposed upon an accelerated trend, and the outcome was a

(Continued on page 28)

*An address by Mr. Pogue before the Rocky Mountain Oil and Gas Association, Cody, Wyoming, June 18, 1948.

Strength and Weakness of Business Situation

By LAURENCE F. WHITTEMORE*

President, Federal Reserve Bank of Boston

Federal Reserve executive, commenting on business forecasts and government's dual inflationary and anti-inflationary policy, points out forces sustaining present business are temporary and may go into reverse. Says credit expansion should be discouraged by all possible means, and retailers should aid anti-inflation program by demanding cash. Stresses importance of balanced budget.

The business community has been subjected to so many speeches and official statements, warnings and exhortations, about the present and prospective state of business that it is with considerable hesitation that I speak to you on this subject. You will remember that both the expert and the non-expert have a rather poor batting average on business forecasting. The forecasts of the last few years, wrong though many of them have been, were probably no worse than the average of those made over the last 20 years or so. Certainly my memory is still green on the forecasts that were made during those lush days just preceding 1929 when it took a very bold man indeed to disagree with the solemn and weighty pronouncements from leaders in business and industry as well as from prominent economists that we had indeed arrived at a new era of continuous prosperity. It is perhaps because of our experience since 1929 that we have come to take even the weightiest forecasts with a considerable measure of caution.

L. F. Whittemore

We were told, for example, in 1945 that just around the corner the road dropped abruptly off a cliff and that when we ran off it, as we most certainly would, we would have at least 8,000,000 unemployed. We were told again in the latter half of 1946 by a multitude of oracles that beginning in the Spring of 1947 we would have a recession (a recession, you know, is a small depression). Many of the prophets of doom of whom we seem to have more than our share in New England, are now prognosticating that we shall have a recession beginning any time from right now until the Spring of next year. I have no doubt that those who have been so consistently wrong in the past will say, "I told you so," when a recession finally arrives, whether it be in 1949 or 1952.

Since you are confronted upon every hand with forecasters whose pretentions to expertness are greater than mine, I shall not make you any forecasts. Instead, let me review some of the strong and weak points in the current situation and let you draw your own conclusions from them.

Dr. Edwin G. Nourse, the chairman of the Council of Economic Advisers, made the extemporaneous remark recently that there are many who can see the major economic problem of the day to be that of inflation, and that there are many others who can see it to be deflation. He said that the answer was, of course, that we had both problems. He did not say whether he thought the forces of inflation or deflation had swung the balance of the scale more toward one or toward the other. His statement does reveal, however, the cautious policy which is being followed by the government with respect to both problems, and it may make you feel a little better about the fact that the government's policy in some matters is anti-inflationary and on others anti-deflationary. On the one hand, the banks are asked to restrain credit expansion, for example, while on the other hand a system of government guarantees of credit in the housing field is perpetuated and operates in an inflationary manner.

Forces Sustaining Business

What are the forces which are working to sustain the current volume of business or to push it up higher? First, we have those forces which the economists lump under the general heading of "Fiscal Policy." We have had the passage of the ERP Program and the expansion of the Defense Program working in the direction of increasing government expenditures on top of the previous level of government buying of goods and services which amounted to 12 to 15% of the total expenditure for all kinds of goods and services. On top of increasing Federal government expenditures we have an expanding volume of spending by state and local governments for structures and public works—for example, the Highway Program in Massachusetts—which could no longer be deferred. On top of this program of expanded government expenditures at all levels of government we have just witnessed the cut in Federal income taxes which will leave in the hands of the public about $5 billion more for spending than they would have had if taxes had not been reduced. In short, government spending is going up and by virtue of the tax cut private spending will be able to increase also.

But private spending is also reenforced from another source. We are just getting through what the newspapers call the third round of wage increases but what is actually the fifth round or even the sixth for some of our New England industries, and we have not

(Continued on page 35)

*Remarks of Mr. Whittemore at the meeting of the Connecticut Association of Insurance Agents, Poland Spring, Me., June 18, 1948.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank and Insurance Stock Digest—Current developments—Geyer & Co., Incorporated, 67 Wall Street, New York 5, N. Y.

Bank Stocks—Analysis—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Also available is a leaflet on **United Light & Railways.**

Commodities 1948—Manual of statistics and information about contracts for future delivery of 24 leading commodities—Bache & Co., 36 Wall Street, New York 5, N. Y.

How to Read the Financial Section of a Newspaper—C. Norman Stabler—New York "Herald Tribune," 230 West 41st Street, New York 18, N. Y.—Paper—$1.00 plus 2¢ sales tax in New York City.

Legal Investments for Savings Banks in Massachusetts and Connecticut—Booklets revised to June 1 and April 1, respectively, listing U. S. Treasury, municipal, public utility, railroad and industrial bonds now legal with statistics relative to each company and each issue listed—R. L. Day & Co., 14 Wall Street, New York 5, N. Y.

Market Correction—Leaflet on outlook—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Natural Gas Industry—Study—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are leaflets on **Art Metal Construction, Market Opinion** and the **Steel Industry.**

1948 Railroad Earnings Estimates—Analysis and tabulation—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Railroad Equipment Certificates Valuation and appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available are a valuation and appraisal of **City of Philadelphia Bonds** and **Price-Earnings Ratios and Yields** on 123 public utility common stocks.

Railroad Industry — Detailed analytical study of outlook—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Solving Your Investment Problems — Brochure on investment trusts—Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.

Sugar Down Through the Ages—Brief history of sugar—Lamborn & Company, 99 Wall Street, New York 5, N. Y.

Taft Wolverton Bill—Tabulated estimate of annual savings to the major railroads from the bill—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available are memoranda on **Chicago, Rock Island & Pacific,** and **Southern Railway.**

• • •

Abitibi Power and Paper Company, Ltd. — Circular — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Louis Allis Co.—Memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Bank of Manhattan Company—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bearing Co. of America—Circular—Dempsey-Tegeler & Co., 407 North Eighth Street, St. Louis 1, Missouri.

Also available are circulars on **Glens Falls Insurance Company** and **St. Paul Fire and Marine Insurance Company.**

Bingham-Herbrand Corp.—Memorandum—Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Bird & Son, Inc.—Memorandum—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Chrysler Corporation — Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available are memoranda on **Eastern Air Lines, General Motors Corp.,** and **Philco Corp.,** and a study of **Railroads.**

Cleveland Cliffs Iron Co.—Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of **the Colorado Fuel & Iron Corporation** and a circular of **Railroad News.**

Clinton Machine Company—Memorandum—Ames, Emerich & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Electric Power & Light Corp.—Circular—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Empire State Oil Company—Memorandum—Schafer, Miller & Co., 15 Broad Street, New York 5, N. Y.

First National Bank in Dallas—Memorandum — Dallas Rupe & Son, Kirby Building, Dallas 1, Tex.

H & B American Machine Co.—Memorandum — Schirmer, Atherton & Co., 50 Congress Street, Boston 3, Mass.

R. Hoe & Co., Inc.—Analysis—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

Kingsburg Cotton Oil Co.—Data—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

McDonnell Aircraft Corp.—Up-to-date memo.—Butler, Moser & Co., 44 Wall Street, New York 5, N. Y.

Manual of Sugar Companies—25th Edition—300-page book of historical, financial and statistical information on the sugar industry with complete lists of mills—Price $2.00 (plus 2% sales tax in New York City)—Farr & Co., 120 Wall Street, New York 5, N. Y.

Metal Forming Corporation—Current bulletin — First Colony Corporation, 52 Wall Street, New York 5, N. Y.

Miles Shoes, Inc. — Analysis — C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Monarch Royalty Corp.—Data S. R. Melven & Co., 125 Cedar Street, New York 6, N. Y.

Montgomery Ward & Company—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

National Cash Register Company—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Old Ben Coal Corporation—Illustrated brochure giving 13-year analysis—Comstock & Co., 231

(Continued on page 39)

The FDIC and Banking History

By H. EARL COOK*

Director, Federal Deposit Insurance Corporation

Asserting banking system is now so geared that it can meet threats of crisis and depression better than ever before, Mr. Cook traces influence of better banking on American progress. Says creation of Federal Deposit Insurance Corporation has protected depositors against strongest blows of deflation, and lauds its work in forestalling bank failures by aiding mergers of weak with strong banks.

I am proud of our Middle-West; and I am tremendously proud of the results our forefathers achieved in making this vast sprawling continent of contrasts—starting only with wilderness and desert—the most bounteous, the most powerful and the most delightful nation in the world; a nation which has given unlimited opportunity to everyone willing to work and pay the price of success. I say to you that the banking profession has made a great contribution to our growth as a nation. Without them our development would have been retarded indefinitely. With them, and their inherent American feeling of independence, we have risen to great heights. We have seen occasional crises, we have passed through many years of trial and error, and we cannot yet be sure that all answers to the problems of financing soundly such an agricultural and financial giant as the United States have been solved.

H. Earl Cook

The uncertainties probably always will be lurking just around the corner—inflation here, the threat of war there, deflation hiding in the shadows, overproduction, unemployment and all the other unpredictables of a complex economy.

Yet the banking system, I believe, is now so geared that it can meet the appearance of any of these threats to much better advantage than ever before in its history.

Banks Have Influenced History

May I trace for you briefly the ways in which banking not only has adapted itself to previous crises but has influenced our history?

One might summarize the history of American banking with scenes from the life of Alexander Hamilton financing the American Revolution, of Robert Morris presiding over the Bank of North America, of Gallatin and Biddle and their struggles to establish the First and Second Banks of the United States. Salmon P. Chase could recount his difficulties during the War between the States, and before our eyes the elder J. P. Morgan would save the Treasury once again.

Aldrich, Knox, Hepburn, Strong, Glass and Steagall each would play an important part in the story. There is no one book that summarizes it effectively. Properly written, such a book would give life and prestige to the part played by banking in the economic development of the United States.

I cannot presume to write that book, but I should like to express a few of the ideas I should include if I were sufficiently gifted to be its author.

There has never been a large-scale development of trade and industry without a corresponding expansion in banking. Each civilization that has come to maturity has had to find ways to finance its trade. It is true that the relationship between a client and his banker in ancient Thebes, Rome and Athens was forgotten during the Dark Ages when trade ceased almost to exist, but when the New World was discovered and trade began to expand again the developments in banking had to parallel those in trade.

In reality the customs of modern banking took their rise from the rules of the goldsmiths who settled near Threadneedle Street, London, in the fourteenth century. In the beginning, when the Biblical veto against interest still was observed, the goldsmith collected storage charges from the merchants for keeping their gold in his strong boxes. Orders from the customer to transfer part of his gold to another merchant later became checks. The goldsmiths' issues of transferable warehouse receipts for convenient amounts of gold ultimately became bank notes. Discovery by the goldsmiths that it was safe to lend on such warehouse receipts in excess of the gold on deposit laid the basis for modern credit banking.

Rapid rise in the volume of trade with the New World spread these new ideas first in the Americas and later to India and China. Lack of gold in the British settlements made the need for credit banking in these areas peculiarly acute. But where the traditions left by the goldsmiths had molded banking customs in England along conservative lines, there were no such restrictions upon the thinking and practices of the American colonists. They needed money quickly and, in what seemed in that day, large amounts. They established new banks and these banks printed notes. Naturally, some of these experiments failed and the early monetary history of the colonies contained sad stories of many bank notes becoming utterly worthless. The early settlers who established banks were not bankers. They knew nothing of banking traditions nor of the basic principles of economy underlying banking. If a little money was a good thing, then more money would be better and they printed more than could be redeemed. These new bankers themselves were also innovators. They thought that the conservative practices of English banks were a conspiracy against their efforts to better themselves. Their accusations against the British were not unlike the later complaints of the West against Wall Street. The financial chaos that resulted from unregulated printing of bank notes did not put the colonists in a strong financial position to carry on a war against England. The notes ceased to be worth a continental. The notes, issued so freely on such a weak specie base, led to coining of a phrase that still is in our American language. They became so unpopular that since then anything worthless has been "not worth a continental."

It took the strong hands and the wise understanding of Alexander Hamilton to establish order and to give real value to the American dollar. With the independence prevailing in each colony, tact, diplomacy, integrity and firmness were necessary. With the backing of Congress and under the guidance of Hamilton, order finally was established. The first lessons in banking in the New World had been learned the hard way.

It was a natural result of the need for uniform regulation of banking that led Hamilton and the Continental Congress to the creation of a strong central bank with widespread powers. The repressive measures necessary for establishing a sound money system may have been a bit too rigorous at times and may have failed to give the rapidly growing republic sufficient money for the vigorous business expansion which was taking place. At any rate, reaction against the concentrated money power of the bank induced Congress to refuse to renew its charter. Here was the beginning of a sentiment that years later crystalized in the form of distrust of Wall Street.

Five years of experiment with state banks followed, but results were so thoroughly chaotic that in 1816 Congress granted a charter to the Second Bank of the United States. For a period under Biddle this institution met the needs of the moment quite efficiently, but the old drive for more money, combined with Jackson's distrust of centralized monetary power, brought this phase of American experimentation with banking to a close. The die had been cast, the American people wanted a banking system more responsive to local needs than seemed possible for any centralized bank. From that time forth Congress has always protected the rights of the local bank from encroachment on the part of any centralized system.

After the termination of the charter of the Second Bank of the United States in 1836, the country reverted to a state banking system. The variety of interpretations of the powers and limitations on the powers of a bank prescribed by the various state legislatures produced a peculiar situation. The Secretary of the Treasury secured whatever degree of uniformity that was achieved by personal leadership rather than by law. There was no national credit policy. This was the situation at the time the Civil War broke out. Before the end of that war, Secretary Chase was convinced that a national banking system was an essential. With this end in view he introduced a bill under which local banks were established under a national charter. Bank notes were issued with government bonds for their security and state banks were starved out of existence by taxation of their note issues.

The Bank Note Period

In these early days the power to create credit was primarily based upon the power to issue bank notes. The tightness or availability of money varied with restrictions upon the rights to issue such notes. The full possibilities of credit banking were not realized by the banks until a little later in banking history when government taxation upon bank-note issues had become so severe that such issues were no longer considered a profitable privilege.

With the creation of a system of national banks existing side by side with state banks, the problem of maintaining a consistent national financial policy remained unsolved. The United States was still subject to greater fluctuations in total volume of credit than any other country. Recognition of the need for a more stable and rational financial policy led to the establishment of the Federal Reserve System in 1914. Under this system the rights and privileges of the state banks have been maintained. Like other parts of the American Government the organization of the dual banking system, as it now exists, depends upon a series of checks and balances. Their main purpose is to

(Continued on page 39)

*An address by Mr. Cook before the Wisconsin Bankers Association, Milwaukee, Wis., June 23, 1948.

Pennsylvania Brevities

SEC Petitions Ouster of Trustee

PITTSBURGH—George Zolotar, attorney for the Securities & Exchange Commission, has petitioned Federal Court for the removal of W. D. George from his position as trustee of Pittsburgh Railways Co. The action came less than two weeks after the SEC had ordered Philadelphia Company, holding company parent, to dispose of its transportation and gas properties and to dissolve its network of other interests.

These developments are construed as aggressive steps in expediting the simplification of Philadelphia Company's corporate structure as required by the provisions of the Public Utility Holding Company Act and of forcing a quick reorganization of the complicated transit system which has been operated under trusteeship since 1938.

In its 23-page petition, the SEC charges:

That George, between 1938 and 1946, failed to investigate to determine whether the Railways Co. had claims or causes of action against Philadelphia Company.

That George permitted C. D. Palmer, commercial manager and director of Pittsburgh Railways Co., to play a "dominant role" in the preparation of the trustee's report on Philadelphia Company claims against the Railways. That George permitted Palmer to prepare and write most of this report, which concluded that no grounds exist for limiting or subordinating Philadelphia Company claims.

That George obtained a commission for his real estate firm, George Bros., on the sale of land by Equitable Real Estate Co., Philadelphia Company subsidiary.

That George is a director and stockholder of People's First National Bank & Trust Co. and for many years was director and stockholder of its predecessors. That this bank and its predecessors have had many business and financial relationships with Philadelphia Company, Pittsburgh Railways Co. and subsidiaries. That as indenture trustee for various bond issues, the bank has interests in conflict with the interests of other security holders, creditors and stockholders.

The SEC petition avers that the intercorporate dealings and transactions between Philadelphia Company and its subsidiary required study and appraisal by "disinterested" persons and that George's activities have not been restricted to matters affecting the operation of the business.

Asked for comment, Mr. George said, "I don't know what the SEC petition says, but it will be answered in court in due course."

Philadelphia Company on Defensive

In the divestment order issued against Philadelphia Company by the SEC last month, the Commission stated that it was neither necessary nor in the public interest for the Railways Co. and Duquesne Light Co. to be owned by the same company. In the opinion of many analysts, reorganization and disposal of the traction properties must await a final determination of the status and validity of Philadelphia Company claims asserted against the Railways. Hearings before the Federal Court are in progress on this matter, the burden of proof resting upon Philadelphia Company to establish its claims.

* * *

Preliminary Step Taken

HARRISBURG—A further step in the dissolution of Philadelphia Company was taken when the Pennsylvania Utility Commission approved transfer of the company's natural gas properties in the State to a subsidiary, Equitable Gas. Co.

* * *

P.T.C. Fare Rise Upheld

PHILADELPHIA — Last week the Pennsylvania Supreme Court upheld the schedule of fare increases filed by Phila. Transportation Co. early in the year. Millions of "fare receipts," required to be issued by the Company during litigation, are now void. Contingent interest on P.T.C. 3%-6% bonds has been declared for payment July 1 and the regular preferred dividend of $1 annually has been restored. Common dividend, however, has been reduced from 80 cents to 30 cents.

* * *

Penna. Power & Light Co.

Pennsylvania Power & Light Co. has agreed to sell its gas properties and franchises in Carlisle, Penna., to Harrisburg Gas Co. and its gas properties and franchises in Lancaster County to a new company to be organized and owned by United Gas Improvement Co.

* * *

Kellett Aircraft Corp.

Effingham B. Morris and Paul R. Skilling, reorganization trustees for Kellett Aircraft Corp., have reported to Federal Judge McGranery that Fairchild Engine & Airplant Corp. has offered to buy the helicopter division of Kellett's business. It was indicated that the terms, subject to court and stockholder approval, would permit payment of all Kellett's unsecured claims in full. The court was told that Hughes Aircraft Co. is also interested in the helicopter division.

The Trustees stated that the Fairchild offer would be incorporated in a proposed plan of reorganization. W. W. Kellett, President, and R. G. Kellett, a former official, have indicated that they might submit an independent plan of reorganization. Judge McGranery set July 16 as the date for filing all plans.

Report to the court stated that company's net worth as of April 30 was $453,374. Operations from Oct. 18, 1946 to April 30, 1948, reflected a deficit of $86,213. The company, under trusteeship, has also been engaged in the manufacture of refrigerators.

* * *

Pennsylvania Electric Co.

Under arrangements approved by the SEC, Pennsylvania Electric Co. will sell an unsecured promissory note for $1,900,000 to the Mellon National Bank & Trust Co., Pittsburgh, and an additional 80,000 shares of its common stock to its parent, Associated Electric Co., for $1,600,000. Most of the proceeds will be used for construction purposes, the balance to pay off $500,000 of existing notes. notes.

* * *

Philco Corp.

William Balderston, new President of Philco Corp., states that company's production of television receivers will reach an annual rate of 400,000 sets by the end of the year. The 1948 production of television sets will be about 80% of radio set output, compared with 15% in 1947. About half of Philco's 12 plants now contribute directly to production of television, final assembly taking place at the new $3,000,000 plant in north Philadelphia.

There are now 18 television broadcasting stations operating in 15 cities. Mr. Balderston estimates that there will be 60 stations active in 37 cities by the end of the year and perhaps 200 stations by the end of 1949.

* * *

Alfred J. Willis of H. M. Byllesby & Co.'s Philadelphia trading department has checked in the largest striped bass caught thus far this year off the Barnegat, N. J., jetties. Weight, 32 lbs.

To Admit Chas. Henderson

Charles F. Henderson, member of the New York Stock Exchange, will become a partner in the Exchange firm of Charles F. Henderson & Sons, 29 Broadway, New York City on July 1.

de Chadenedes Dead

Jean B. de Chadenedes, retired stock investment broker, was killed June 26 when he fell or jumped from the fifteenth-floor terrace of a friend's apartment.

Franklin Jerome Dead

Franklin S. Jerome, a limited partner in Breining & Co., died on June 22.

Business Man's Bookshelf

Commodities — 1948 — Statistics and information about contracts for future delivery of various commodities — Bache & Co., 36 Wall Street, New York 5, N. Y.

Communism or Capitalism?—Harry Desmond Farren—National Foremen's Institute, Inc., Deep River, Conn.—paper—10-15 copies, 15c each; special rates on larger quantities.

Economics of Suretyship—Jules Backman—Surety Association of America, 60 John Street, New York, N. Y.—paper.

How to Read the Financial Section of a Newspaper—C. Norman Stabler—New York Herald Tribune, 230 West 41st Street, New York 18, N.Y.—paper—$1.00 (plus 2c sales tax for New York City residents).

International Security Trading—Jacob O. Kamm—Indiana State Teachers College, Terre Haute, Ind.—paper.

Manual of Sugar Companies—25th Edition — Reference manual for those interested in sugar and sugar companies—Farr & Co., 120 Wall Street, New York City—Cloth—$2.

Money, Debt and Economic Activity — Albert Gailord Hart—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—cloth—$6.65.

Ordeal by Planning — John Jewkes—The Macmillan Co., 60 Fifth Avenue, New York, N. Y.—cloth—$3.75.

Philippines 1948. The—Handbook of trade and economic facts and figures — Department of Commerce and Industry, Republic of the Philippines, Manila, P. I.—Paper.

Power, Machines and Plenty—Gloria Waldron and J. Frederic Dewhurst — Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—20¢.

Prices and Profits on Export and on Domestic Sales of Ohio Exporters—Eugene Van Cleef—Bureau of Business Research, College of Commerce and Administration, Ohio State University, Columbus 10, Ohio—paper.

Railway Preparedness — What Our Rail Lines are Doing to Meet the Needs of Today and Tomorrow—P. Harvey Middleton—Railway Business Association, First National Bank Building, Chicago 3, Ill.—paper.

Regulations Concerning Dealings in Gold and Foreign Exchange in France—4th supplement—Bank for International Settlements, Monetary and Economic Department, Basle, Switzerland—paper—7 Swiss francs (complete compilation — original edition and four supplements which have appeared to date—50 Swiss francs).

Role of Inventories in Business Cycles, The—Moses Abramovitz—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50c.

Carter Corbrey Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — Parke V. Daly has been added to the staff of Carter H. Corbrey & Co., 650 South Spring Street.

Prepare for Sellers' Markets!

By BRIG. GENERAL E. F. JEFFE*

Vice-President, Consolidated Edison Company of New York

General Jeffe, in pointing out heat of competition is now on, calls attention to resistance to rising prices of appliances, and says the old prewar intensive selling policies must be restored. Does not look for lower prices if wages continue upward or if artificial policing and regulation of industry is restored.

All signs indicate that the heat of competition is on—more manufacturers, more dealers, more products and greater production capacities than ever before. More appliances to choose from and more choosier customers. Appliances, on the whole, both gas and electric, are in ready supply. Price cutting is the rule—not the exception.

Brig. Gen. E. F. Jeffe

It may be that in spite of sincere efforts to hold prices down, wage raises will probably put a stop to the downward price efforts of the industry. Now a thousand and one self-termed business counselors and organization-master-minds are presenting plans for artificial policing and regulation of the industry—all of which are intended to hold prices **up.**

It seems to be the thought of "these some" that joining new associations will do the trick. I must admit I have come to the conclusion, after a review of the history of operations of these "champions," that indeed they are sincere about price controls — for everybody but themselves.

The old techniques are coming down from the shelf and are being dusted off. Evidently, in some minds, door to door selling is the magic wand for the new lines, the new names, the new prices, the new guarantees and the new promises. But maybe they forget that door to door commission selling is rather an expensive item—for the customer.

Sales Resistance in Sight

Somehow or other in the eyes of many of the new manufacturers in the industry—as well as some of the old timers—who have become prosperity lazy, our customers have become unreasonable because they are not standing on line bidding for a chance for their merchandise. Even the tricks of no down payment and over-extended credits do not seem to be drawing the magic reward. The fact is that buyers are merchandise wise. They are critical of both quality and price. The demands on their pay envelopes are confining purchasers to items which are needed.

Customers are not willing to accept present day appliance prices. And it is hardly fair for retailers to push suppliers for lower prices if labor and material costs continue to pyramid.

If our share of the consumer market shrinks we can only blame ourselves for failing to be realistic and recognizing facts. The nation's production is catching up with the demand. Production is fairly balanced in most industries and while the rate of spending in the United States seems to be setting a new peak, the rate of increase in spending is slackening.

I believe we do need a **New Look** but I hope it will not be one which hides our best selling points.

We ought to dress up our stores and rejuvenate our ideas. We must do what is necessary to stabilize the appliance retail business and not take the continued increase in failures in small firms as something to be expected and accepted. Four times as many firms failed in 1947 as in 1946. The failures of housefurnishing stores were seven times as many in 1947 as in 1946. Electric appliance shops made up a large part of the total. Practically the first among the large manufacturers to hit the toboggan were some in the electric appliance field. Over night the fractional horsepower motor production picture changed from scarcity to excess—and with it came curtailment and shutdown and the cobwebbing of production facilities.

Retail Profits Declining

The danger signals and the drop in unit sales in department stores may be more than the cry of "wolf." In spite of the general increase in sales, the downward trend of retail profits continues. Recently a number of companies passed dividends. One such company stated the drop in earnings reflected a sharp decline in their oil burner business. In March of this year, factory shipment of oil burners totaled 19,000 units and continued the downward trend that began in October, 1947. The March shipment represented a 24% decrease from the units shipped in February and the total shipment in March, 1948 was only about 20% of the number shipped in March, 1947. Unfilled orders in this group show an 88% drop from the units on order on March 31 of last year. You can draw your own conclusions whether customers **are unable** or whether they are **unwilling** to buy all they would like to at present prices. The exercise of ingenuity and cooperation of the best ability and planning of our industry will be necessary to get our full share of the consumer's spending dollar. And unless we do, the manufacturers' and distributors' and the retailers' business will drop and with it, will come the inevitable decrease in use or decrease in rate of growth of electric consumption.

A Long Range Look

The "look" at our business should be one of long range. Except through stimulation, the "present rate" market for consumer goods will shrink steadily. I trust none of us will consider as normal business increases those surges which are created through priming which results in only momentary stimulation. We need to take a long range view or else we will find ourselves swinging at the ball after it has passed.

To tie in with our plan of carrying our wares to the buyers, we have endeavored to stimulate customer traffic in your stores and renew buyers' confidence in your wares and methods of operation. I trust our support is not making it too easy—for that would result in a tendency to become soft. Possibly that is why some dealers continue to hide the Cooperating Appliance Dealer Emblem in their storerooms instead of displaying it to attract customers. And just as it has become habitual for some to become joiners of numerous organizations, so too it appears we are cinches when it comes to displaying a multiplicity of emblems. When you display many emblems I wonder how the poor buyer knows in which emblem to place his confidence and trust.

Our company has spent many thousands of dollars in newspaper, bill board, truck poster, window display and direct-mail advertising to acquaint customers with your part in the Cooperating Appliance Dealer Plan and the significance of the Emblem when they see it displayed in your stores.

Without fear of contradiction I say that the money spent in this advertising by our company is far beyond the promotional budget of the average dealer or any combination of dealers.

And if your business fails to show a healthy, continuing profit rise, don't be satisfied with explanations which sound too simple. Don't be satisfied with the excuse that it's the weather—for a review of weather records indicates that on the whole, year after year, the weather is fairly average in one year as compared to others. Don't be satisfied with the explanation that it was a late Winter or an early Easter. Don't build up a complex against your suppliers and your buyers to excuse your own shortcomings.

Start a New Selling Job

Start doing a selling job—in every phase of your business—and if you are a little ahead of the need to do selling, why so much the better for you.

Let us be liberal enough to adopt the new as soon as its superiority is established and conservative enough to hold on to the old until something better is developed. And if we collectively and cooperatively do our job, then all of us—the manufacturer, the distributor and you and the most important of all, our customers—will secure complete freedom from **want** in the appliance field.

If it is necessary to attract buyers to our wares, and I am certain it is, we must increase store traffic as well as field selling.

*From an address by Gen. Jeffe before the Cooperating Appliance Dealers, New York City, June 15, 1948.

Geldmacher & Matz Open

(Special to THE FINANCIAL CHRONICLE)

LEWISVILLE, OHIO — Glenn Geldmacher and Harry J. Matz are engaging in a securities business.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Fire insurance stocks hit their post-1942 lows in May 1947 at 111.3 in the Standard & Poor's weekly Index. They closed the year 1947 at 118.3, a gain of seven points or 6%. In 1948 they moved up to 135.7 by June 2, a further gain of 14.7% and a total gain of 21.9%. However, between June 2 and June 26 they receded to 129.9, a level that is still 9.8% above the 1947 year-end index and 16.7% above the 1947 low.

Liquidating values of choice fire insurance stocks can be bought today at generous discounts. Figures tabulated for 20 prominent stock fire insurance companies show that the investor's dollar can now purchase, on average, $1.34 of liquidating value, ranging from $0.96 for St. Paul Fire & Marine to $1.88 for National Fire. Invested assets of these companies exceed liquidating values, quite substantially in many instances, with the result that $1 can currently buy approximately $1.50 of invested assets.

Based on 1947 total net operating earnings, the average earning yield to the investor is 6.8%, which is low for insurance stocks, and is only 1.8 times the average dividend yield of 3.8%. To put it another way, earnings are being capitalized at approximately 15 times, which is high compared with the low capitalization being placed by the market on good quality industrial stocks of between six and seven times. Probably 1947 earnings of fire insurance companies are being capitalized relatively high today in view of the improved outlook for underwriting profits, following a series of four lean years.

	6/24/48	Liquid Value 12/31/47	Liq.Value per $ Mkt.	1947 Net oper. Earns.	Earn. Yield	Annual Divids.	Divid. Yield
Aetna Insurance	44½	$65.14	$1.46	$2.13	4.8%	$1.80	4.0%
Agricultural Ins.	61	97.93	1.61	—4.52	0	3.00	4.9
Boston Insurance	65½	81.98	1.25	3.97	6.1	2.40	3.7
Continental Ins.	59¼	67.91	1.15	5.50	9.3	2.00	3.4
Fidelity-Phenix	64	75.46	1.18	5.86	9.2	2.20	3.4
Fire Association	56¼	84.93	1.51	5.42	9.6	2.50	4.4
Firemen's Fund	106	123.10	1.16	11.59	10.9	3.00	2.8
Great American	32⅜	43.89	1.36	2.89	8.9	1.20	3.7
Hanover Fire	28¼	41.40	1.47	1.54	5.5	1.20	4.2
Hartford Fire	112½	137.92	1.23	11.87	10.6	2.50	2.2
Ins. Co. of No. Am.	102	109.24	1.07	7.71	7.6	3.00	2.9
National Fire	45	84.74	1.88	—2.14	0	2.00	4.4
New Hampshire	42	49.85	1.19	1.72	4.1	2.00	4.8
North River	24⅞	29.94	1.20	1.52	6.1	1.00	4.0
Phoenix Ins.	84½	114.86	1.36	6.03	7.1	3.00	3.6
Prov. Washington	32½	45.72	1.41	1.71	5.3	1.40	4.3
St. Paul F. & M.	78½	75.70	0.96	9.07	11.6	2.00	2.5
Security Ins.	26½	45.75	1.73	1.39	5.2	1.40	5.3
Springfield F. & M.	44¾	55.69	1.24	2.55	5.7	1.90	4.2
U. S. Fire	53¾	74.15	1.38	3.98	7.4	2.00	3.7
Average			$1.34		6.8%		3.8%

The accompanying table gives price ratios for 20 leading stocks. Two companies, viz. Agricultural and National Fire, reported net operating losses in 1947, despite net investment income of $5.44 and $3.79 respectively, which were well in excess of dividends of $3 and $2. Their 1947 underwriting losses were very high, amounting to $10 per share in the case of Agricultural and $5.83 with National Fire.

Home Insurance figures for 1947 are not included in the list since they would be meaningless today in view of the merger of the fleet into the parent company. It is of interest that Geyer & Co. estimate Home's liquidating value at $39.50 per share, which is equivalent to $1.40 per dollar of present market value. Of particular interest is the recent action of Home's directors in advancing the semi-annual dividend rate from 60c to 65c, which gives a current annual yield of 4.6%. However, the resulting annual rate of $1.30 is still below the prewar rate of $1.60 including extras.

Some insurance stock analysts express the opinion that Home's dividend increase may be the forerunner of other increases by both fire and casualty companies. Certainly a number of companies could afford to treat their shareholders somewhat more generously than has been their policy. The year 1947 was not a good year for insurance earnings, yet the following fire companies show earnings in excess of double their dividend rates:

	Total Net Oper. Earnings	Dividend	Ratio
Continental Insurance	$5.50	$2.00	2.75
Fidelity-Phenix	5.86	2.20	2.66
Fire Association	5.42	2.50	2.17
Fireman's Fund	11.59	3.00	3.86
Great American	2.89	1.20	2.41
Hartford Fire	11.87	2.50	4.75
Insurance Co. of No. America	7.71	3.00	2.57
Phoenix	6.03	3.00	2.01
St. Paul F. & M.	9.07	2.00	4.53

It is not suggested that all these companies should raise their dividends, merely on the basis of one year's earning experience. For example, Fire Association's total net operating earnings from 1941 to 1946 inclusive, covered dividend requirements by very moderate margins, while earnings in 1947 were exceptionally good. On the other hand, Continental, Fidelity-Phenix, Hartford Fire and Insurance Co. of America have for a number of years ploughed back a large proportion of their net operating earnings, to such an extent that they have built up outstanding records of growth in stockholders' equity. This represents sound and conservative management, but growth in a stockholder's equity doesn't help him meet the problem of the "high cost of living." Statistically, a number of moderate dividend increases appear justifiable.

International Aspects of Mexican Economy

By J. M. O. MONASTERIO*

President, Credito Internacional, S. A. of Mexico City

Prominent Mexican Banker points out close economic and financial relations of Mexico with United States and its bearing on Mexican prosperity and progress. Advocates an Inter-American Bank as supplementing World Bank and International Monetary Fund, and wants Latin American Industrialization encouraged. Sees no impending depression in U. S. and offers five precepts for aiding Mexican economic and commercial progress.

There is no doubt that, due to the serious problems of readjustment in the postwar period, to the elimination of distances caused by modern means of transportation, to the necessities created by a higher standard of living, to the commercial and economic maladjustment of the world and to the lack or scarcity of dollars in practically every nation, outside of the United States, there exists, and we must acknowledge it, a greater interdependence, much greater than heretofore, between all the nations of the world. We cannot in Mexico, nor can any nation, close its eyes to what happens in other countries, or in other continents, and think that its own life will not be affected. Narrow nationalism can no longer exist. We must broaden our psychology and adapt it to this change.

In Mexico we have a profound interest in world events, but particularly in the economic movements which take place in our neighboring country to the North. We are so close to it, and that great country wields such tremendous influence in the entire world that its problems and economic developments are of a great importance to us as bankers. We must study them and analyze them with calm and vision, so that, if possible, we may be prepared to avoid any adverse reaction from them to our own interests. Thus, and only thus, shall we fulfill the sacred obligation imposed upon us by our profession, which is to protect the interests of our depositors and stockholders, of giving impetus to the economic development of the country and of cooperating with our fiscal authorities.

During long years, 32 to be exact, I resided in the United States, first studying and then practicing the profession of banking. About one and a half years ago, I came to Mexico to become a part of its economic life. Perhaps my thoughts, which I dare present to you today, may have a fresh point of view and the new perspective of one who has recently arrived. My aim during the years I was a banker in the United States was, in my own sphere of action, to work unceasingly to bring about a closer economic and cultural relationship between the two countries, based upon a dignified mutual respect. I have had the good fortune of seeing the fruits of this labor, because thanks to a sane and constructive policy on both sides, the relations between Mexico and the United States have never been as cordial as they are today, not only in the field of diplomacy, but also in a financial and commercial sense.

I cannot permit this opportunity to pass without paying a well deserved public tribute to those of you who guide the destinies of the Mexican Commercial Banks. You should be very proud of your work, particularly during the recent economic readjustment. Within and without the country there is a complete confidence in the management, solidity and liquidity of the Mexican commercial banks. They enjoy a world wide reputation and dispose of ample credit to finance the international trade of the Nation. In recent months, great American Banks cheerfully subscribed a substantial sum to purchase acceptances issued by a syndicate of Mexican banks, at a low rate of interest. These are symbols of confidence.

The regulations of the Treasury, of the Banco de Mexico and of the National Banking Commission, which institutions regulate the commercial banks, have, at times, been looked upon as onerous, but who doubts, for example, that the heavy reserve of 50% of the deposits, though bothersome, has been a blessing, since it is responsible, in part, at least, for the unlimited confidence which exists throughout the world and Mexico itself on the solidity and soundness of our banks? Imagine for a moment, the severe crisis, or perhaps the panic that might have developed during the months of economic readjustment, if this implicit confidence in the strength and solvency of the banks did not exist! This economic readjustment which has caused our central bank and other financial authorities to take drastic steps to protect our currency and our dollar reserves, can, and should be, beneficial, because it serves to point out whatever the weakness of our economic structure may be. I have great faith in the future of Mexico and feel certain that this readjustment will improve our economic position and solidify it.

Sacrifices? Of course, it shall be necessary for all, rich and poor, government and people, bankers and industrialists, employers and employees, merchants and farmers, to make sacrifices for the general good of the Nation. It is all worth it, if in the end we create a strong structure, capable of giving Mexico the industrial, agricultural and commercial development which we all desire. In the years of bonanza and expansion we became accustomed to many luxuries and we took them for granted. Today, it is necessary, as it is commonly said, "to tighten our belts," and attack our problems, not with superficial or transitory measures, but digging deep, down to the roots, and finding permanent solutions. We must not leave all this to the government. The cooperation of individuals and of private enterprise is essential.

Last year, Mr. Carlos Novoa, President of Banco de Mexico, had some encouraging words to say in the address he delivered before the annual meeting of the Texas Bankers Association. He said, in effect, that the hour had come for Mexico, where so many sacrifices have been made to improve the social condition of its people, to fight with as much vigor to solidify its economic position on a sound and lasting basis. All of us, I feel certain, want to cooperate to that end.

The Minister of Finance, Mr. Ramon Beteta, in a brilliant address which he delivered last October in St. Louis to a large group of international industrialists, merchants and bankers, who attended the National Foreign Trade Convention, insisted that it was urgent that Creditor America—that is the United States—cooperate fully with Debtor America—the Spanish American Countries. On that occasion he was the first Government Official of the Western Hemisphere to suggest that part of the Marshall Plan be used to make purchases of raw materials and other products from Mexico and other Republics of this Hemisphere, creating thereby a supply of dollars and a market for our products. This, I am quite sure, will be done, but even then, it will not provide a complete solution to all our problems.

An Inter-American Bank

Experience has shown us that credit institutions such as the International Monetary Fund, the World Bank and the Export-Import Bank are not adequate to meet the necessities created by the industrial and economic development of the Spanish-American countries. We live in an age of specialization and I consider urgent and essential that we should support the plan of organization of an Inter-American Bank, the capital of which will be subscribed by all the Republics of the Hemisphere and with a high specialized personnel. Its main aim should be to give full support, after careful study and analysis of the peculiar conditions of each country, to the general development of the less industrialized nations, to increase the international trade between the countries, to channel the movement of capital and investments from one country to another, to create a more elastic securities market, and in general to strengthen the currencies and promote the general economic welfare of the nations of the Hemisphere.

I had the privilege of seeing at close range the preliminary work in connection with the International Monetary Fund and the World Bank, and I had the opportunity, with others, of making a careful study of the White Plan, which, as you know, is recognized as the basis of the decisions reached at the Bretton Woods Conference. At that time, a small group of bankers wanted to make certain basic changes in the project so that it might be more practical and beneficial instead of theoric and academic. However, as the economic philosophy which prevailed at that time was that of deficit financing, so ably supported by President Roosevelt and Lord Keynes, the bankers, for whom a difficult atmosphere had already been created, were falsely accused of being obstructionists and conservative disciples of Wall Street, and little, if any, heed was paid to their suggestions. We have seen since the spectacle of France ready to change the parity of its currency with or without the expressed approval of the International Monetary Fund and the World Bank working on a limited scale. Today, we also see, on the other hand, a general recognition that the Rooseveltian and Keynesian theory of deficit financing had its flaws and is less popular, for nations, as well as, individuals, who spend more than what they earn, eventually must face the day when accounts have to be settled. It is, therefore, necessary that the bankers, with courage and with loyalty to their professional obligation, and without fear of the attacks to which they may be subjected, make their force felt and demonstrate that the name of banker is not precisely synonymous of Shylock, reactionary or exploiter, but that the leaders of banking can be, and are, liberal, progressive, but sound and constructive, and that they recognize to the fullest extent their duties toward the system and society in

(Continued on page 31)

*An address by Signor Monasterio at the 14th Annual Convention of the Mexican Bankers Association, Tijuana, Lower California, Mexico, April 23, 1948.

LETTER TO THE EDITOR:

Takes Exception to Jim Howard's View on Draft

D. F. McRae writes he does not believe there is concerted effort on part of World War II officers to perpetuate their jobs.

The Editor, The Commercial and Financial Chronicle:

I was very much surprised to read in the June 17, 1948, edition of the "Chronicle" an article by Mr. Jim Howard entitled "Peacetime Draft Is Threat to Individual Liberty in Our Free Enterprise System." The surprising thing about this article was not the fact that Mr. Howard was opposed to the draft, for that is certainly anyone's privilege, but that he misquoted facts and used half-truths in a deliberate attempt to discredit the Armed Forces of our country and the efforts of a few high placed individuals who have been fighting a very strenuous battle to provide an adequate military force for the defense of the country.

I particularly resent the second paragraph of this article, which I consider an insult to any officer who served in any branch of our Armed Services during World War II. In order to maintain the rather sizable Army and Navy, in comparison to prewar standards, that the country planned to have even after demobilization it was necessary to take in a number of reserve officers from both of the major services. Many young officers who had made good records were offered opportunities to continue on in the service in grades which probably provided a larger income in many instances than those individuals could have obtained immediately from private industry. I served four-and-one-half years in the Navy myself and came out with a fairly decent rank, and I was offered an opportunity to continue on in the Service. However it did not appeal to me from a monetary standpoint, and I did not feel that I was essential to the service so I got out as soon as duties would permit. I certainly do not believe that there was any concerted effort on the part of any substantial number of World War II officers to perpetuate their comfortable positions in the Service by fostering a peacetime draft and striving for the maintenance of a larger Army and Navy merely to insure their military rank; and as Mr. Howard says "Comfortable Positions in the Armed Service."

I do not know whether Mr. Howard is a member of the "Chronicle" staff, nor whether his article expressed the views of the "Chronicle," however I have been unable to find any statement disclaiming responsibility for his views by the editor. In my opinion this article has a strong flavor of Communist propaganda and I am indeed amazed to read this type of irresponsible, garbled writing in the pages of the "Commercial and Financial Chronicle."

Fortunately Congress does not seem to have been influenced by Mr. Howard's views.

Very truly yours,

D. F. McRAE.

June 24, 1948
333 Candler Building,
Atlanta 3, Ga.

[Editor's Comment: For the information of Mr. McRae, "The Chronicle" wishes to state that Jim Howard is not a member of its staff and his views are not necessarily those of the "Chronicle." Mr. Howard is a veteran of overseas active military service, who prior to this duty, had civilian engineering experience in the headquarters of the Army Air Corps., familiarizing him by personal knowledge with the Navy and Army.]

William Meehan Wins NYSE Golf Tourney

About 160 members of the Exchange teed-off in the Stock Exchange Members' 49th Annual Golf Tournament, held at the Winged Foot Club in Mamaroneck. At the dinner in the evening, the company numbered in excess of 300.

At stake in tournament play was the Governors' Cup, presented annually to the golfer turning in low net, and which was won by William Meehan of W. J. Meehan & Co. with a low gross of 77.

Henry Picoli of S. H. Douglas & Co. won second prize with a score of 79. Tied for third place with scores of 80 were Edwin Crandell, an independent broker; Robert J. Jacobson, Benjamin, Jacobson & Co.; and Edward Nesbitt.

Emil Schram, President of the Exchange, and Robert P. Boylan, Chairman of the Board, drove off in mid-afternoon in company with John A. Coleman and Robert L. Stott.

Chgo. Exchange Members

CHICAGO, ILL. — The Executive Committee of the Chicago Stock Exchange has elected to membership Milton R. Underwood, Underwood, Neuhaus & Co., Houston, Texas; and Andrew M. Baird, A. G. Becker & Co.

Underwood, Neuhaus & Co. is the fifth Texas firm to become a member firm of the Exchange within the month. Andrew M. Baird's membership was a transfer from another partner in the firm of A. G. Becker & Co.

Looking Into the Future

By ROGER W. BABSON

Mr. Babson, in calling attention to graduation exercises' forecasts of scientific achievements, asserts in years ahead we will have one world or "no world." Says we must assume there will be no tariffs or nationalism and stresses importance of decentralization of industry and education.

During the month of June many important forecasts have been made by scientists in connection with the graduating exercises of 169 engineering schools of the United States. Some of these seem fantastic; but if we will look back 50 years and compare the things which we have today with what we had 50 years ago, these forecasts will not seem strange.

Roger Babson

Thus far we have been able to insulate against heat, cold, sound, light and even atomic waves. We, however, have been unable to insulate against gravity. Someday this secret will be discovered. It can be applied to hundreds of things from stair treads to airplanes. It naturally will be rather bearish upon the stocks of certain companies and bullish on others.

We are hearing of all kinds of practical uses for atomic energy; but the one that seems most revolutionary is its use in blowing off mountain tops and in redirecting ocean currents. This would open the way for vast changes in weather conditions, making the arid parts of this country, and in fact the world, blossom like a rose. This might make new irrigation projects unnecessary.

In the years ahead we certainly will have "no world," or One World. Believing that we then will have One World, we must assume that there will be no tariffs nor further talk about nationalism. Then our food will be raised where God intended it to be raised which is the only way that world peace can be established and maintained. If such a system were adopted at once, it could reduce the cost of agricultural products 50%. Furthermore, if the homes, schools and food advertisers would cooperate to get the American people to eat what and as we should, we all would live to be 100 years old.

Scientists tell us that with every rainfall vitamins and minerals are being washed from the soil. These flow down the streams into the ocean. Hence, while the land and its products are constantly getting poorer, the ocean and its products are constantly getting richer. Today the ocean is controlled only within three miles of the different countries which it borders. When we have One World, this control will apply to the entire ocean. With the same attention given to the fisheries as is now given to agriculture, the products of the ocean could supply sufficient proteins to every man, woman and child on the earth.

The weaving of cloth will in all probability be eliminated in the not too distant future. All of our clothing, rugs and upholstery will be made the same as paper is made today. Raincoat manufacturers are already using such material. Our new houses will sometime be prefabricated and would be today were it not for the crazy rules of labor unions and the antiquated building codes. Then there will be a reduction in the cost of living from which wageworkers will get a **real** benefit far exceeding anything which the union labor leaders have thus far given them.

Before too many years a start will have been made towards using water and soil as fuel. Wireless and television will have been developed so as to enable—for all practical purposes—the instantaneous transmission or transportation of us as individuals. We will no longer need to take a train automobile or airplane for a conference a thousand miles away We can get the same result by sitting in a television booth at or near our home.

Another very important development will come with decentralization. In fact, I have almost decided to devote the rest of my life to aiding the decentralization of cities, industries and large educational institutions. Not only is decentralization the only defense against atomic and bacteriological attacks, but it is fundamental to efficient, economical and democratic living. We, moreover, must not be content with these material developments but make certain that we progress spiritually as well. The greatest need now is for better mental motivation.

Geo. W. Hoffmann Is With Jos. Janareli Co.

Joseph Janareli & Co., 120 Broadway, New York City, announce tnat George W. Hoffmann is now associated with the firm as Manager of the Industrial Securities Department, where he will specialize in the placement of blocks of securities.

He was formerly with Kobbe, Gearhart & Co., Inc., for over nine years.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Arthur C. Calvert is now with Thomson & McKinnon, 319 Clematis Street.

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

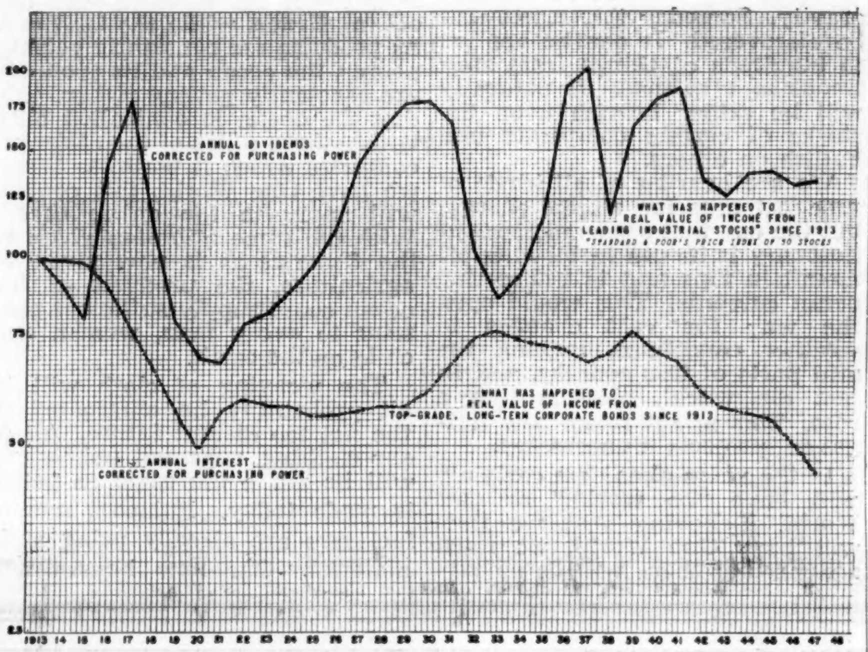
From time to time, under the above caption, we plan to run short articles written by leading members of the mutual fund business. The first of such articles discusses industry groups and was written by Mr. Kenneth S. Gaston, President of Distributors Group, Inc. Mr. Gaston has been a pioneer in his field and his words should be of more than usual interest to mutual fund salesmen.

Stocks vs. Bonds

With the compliments of **Hare's Ltd.,** we receive the following interesting bulletin and accompanying chart, both prepared by **Francis I. duPont and Company:**

Many investors now concede the advantages of using stocks instead of bonds for preserving real capital values during prolonged periods of falling purchasing power of the dollar. But when they consider using stocks for that purpose themselves, they frequently hesitate or retreat from the idea because "We must have income."

STOCKS vs. BONDS
For Maintaining Real Income



The belief that common stocks have been a less dependable source of real income during the last 35 years than high-grade bonds is widespread. How little basis there is for that belief is shown graphically in the accompanying chart. The solid line portrays what has happened to the real value of income from 50 leading industrial stocks since 1913, while the dotted line shows what has happened to the real value of income from top-grade, long-term corporate bonds in the same period.

If I Were a Retail Salesman

(First of a Series)

By KENNETH S. GASTON
President, Distributors Group, Inc.

If I were a retail salesman I would train myself thoroughly on the salient points of that type of investment which I felt my customer should buy at that moment—given his circumstances and the relative values available in the securities markets. (This will vary widely as between customers and over periods of time—it cannot be generalized.) I would sell him first on that **kind** of security to the point where he agrees and asks **which** such securities I would recommend. And then—

Kenneth S. Gaston

"Mr. Smith, the way to buy these ——— stocks (or bonds) is the way all big **professional** investors—**institutional** investors—**always** buy. When they decide that a certain kind or type of investment is good value, they buy a diversified **group** of the leading issues of that type—not just one or two. That way if they are wrong on any one the others carry through so that the overall result is what they figured it would be.

"You can appraise the future of a whole industry or a whole section of the market with a great deal more certainty than you can of any single unit in it. In fact, the very popularity of the best-known unit usually means mediocre performance. We have seen, many times, a **group** of securities far outperform the most popular single issue of their type.

"Another reason for investing by diversified **groups** of issues is that the way they are set up in modern mutual funds you get not only a cross-section of the whole field but also **continuous supervision** by professional investment analysts. They pick what they consider the best values and keep changing their holdings as values change. That's a service worth a lot more than it costs.

"These managed groups are available in **all kinds** of investments. They always comprise the listed issues of outstanding quality of their type. They are redeemable in cash any time you want to sell. Now specifically what I would suggest for you at this time in ——— stocks (or bonds) is this managed group of about — leading issues . . ."

The dividends paid by the 50 leading industrial stocks in 1913, corrected for purchasing power, are taken as 100 for the stock income line. The interest paid on Norfolk & Western 1st Mtge. 4s of 1996 in 1913, corrected for purchasing power, is taken as 100 for the bond income line. Actually the 50 stocks were selling in 1913 to yield 5.7% while the Norfolk & Western 4s were selling to yield 4.2%. Thus the chart is considerably less favorable to stocks as compared with bonds than would have been the case if the bond and stock yields had been equalized at the start, in 1913.

The object of the study, however, is to show the relative merits of stocks vs. bonds for maintaining real income and not for obtaining it orginally. In other words, we have assumed, as the market does, that most people are willing to pay for income from bonds than for income from stocks because they believe the bond income is more secure. All the chart attempts to show is that the supposedly safe income obtained from bonds at an original cost considerably in excess of that paid for income in stocks actually proved anything but safe in terms of purchasing power over the ensuing 35 years. Conversely, the supposedly hazardous income from stocks proved so much more dependable, in terms of purchasing power, that in 1947 the stockholder found himself actually 34% better off in terms of buying power than he was in 1913, while the bondholder, who accepted a lower income to start with, found he had lost 55% of that in terms of purchasing power.

A previous study entitled, "Stocks vs. Bonds for Preserving Real Capital Values," showed that $100,000 invested in Norfolk & Western 4s in 1996 in 1913 would be worth about $134,000 now, but that $134,000 now would buy no more than $56,000 in 1913. In other words, it showed that the bondholder had lost 44% of his capital, in terms of purchasing power. The same study showed that $100,000 invested in 50 leading stocks would be worth currently about $333,000. Adjusting those dollars for the current high cost of living cut the value of the stock fund down to $141,000 in terms of 1913 purchasing power. Thus, the bondholder and the stockholder, who started even 35 years ago, find themselves today barely on speaking terms, their dollars having increased to $141,000 in the stock fund and decreased to $56,000 in the bond fund, both in terms of purchasing power.

That would be hard enough to take all by itself, but as the current study shows, the loss of real capital values is only part of the story. Not only did the bondholder start by accepting 4.2% return in 1913, instead of 5.7% which he might have obtained had he been willing to assume the risks in stocks, but in terms of real income the bondholder paid an even wider premium for his fancied safety throughout the last 32 years of the 35-year period than he bargained for at the outset. Currently the return on the $100,000 of 1913 dollars, in terms of 1913 purchasing power, is only 1.9%. By contrast, the stockholder's return on his $100,000 of 1913 dollars, in buying power at the 1913 rate, is 7.6%.

Outlook for Retail Trade

In a recent bulletin, **National Securities and Research Corporation** has the following to say about retail trade:

". . . Personal income tax reductions, recently effective, will be beneficial to retail trade due to larger take-home pay.

. . . The Government's defense program will pour increased billions into the pockets of the people and assure high national employment.

. . . Federal Reserve Board Index of Department Store Sales rose to a new all time high in May, reaching 308, compared with 303 in April (1935-1939=100).

. . . Retail sales are estimated at $127 billion for 1948, up from $117.7 billions in 1947.

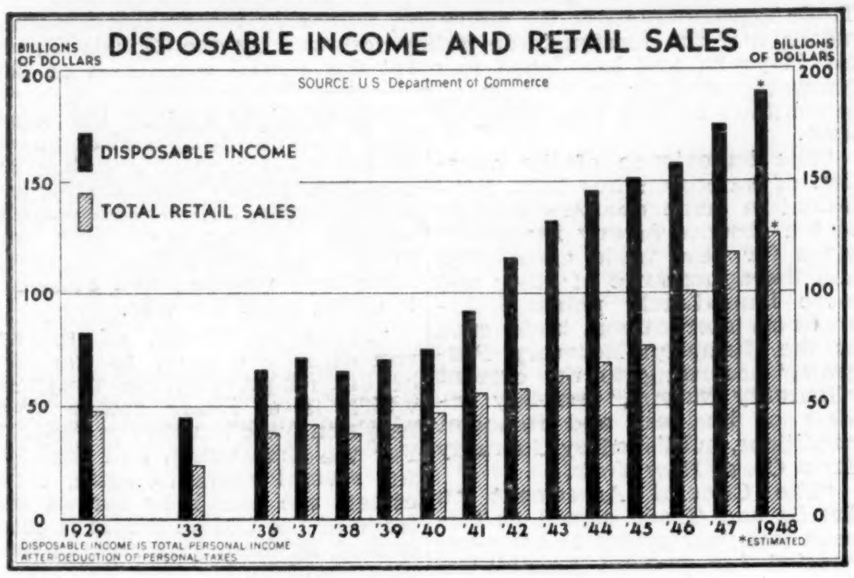
. . . Net income for the first quarter of 1948 is 8.1% better than

the initial quarter of 1947—based upon figures of 15 prominent companies in the industry.

". . . Profits for 1948 are expected to exceed record retail trade earnings of 1947.

Disposable income of individuals is expected to show a gain in 1948 of 8% above the 1947 peak level of $175.3 billions. Since about two-thirds of disposable income is spent in retail stores, it seems clear that a new high record in total sales volume will be shown this year."

The accompanying chart is reproduced from the above bulletin:



"Broad Street" Comments

In its June 14th "Letter," **Broad Street Sales Corporation** summarizes investors' sentiment and the stock market outlook as follows:

"The sharp and practically uninterrupted advance in the general level of common stock prices since the middle of March can be attributed primarily to improvement in investors' sentiment. This swing in confidence has resulted in a sharp rise in some indicators of the degree of speculation in the market. It is important, therefore, to appraise whether speculation has yet reached a dangerous level in the light of past experience. While admittedly difficult to measure samples can be taken in a number of ways, which collectively give a rough guide to speculative sentiment. At the present time such collective guide does not indicate that speculative enthusiasm has reached a zone that of itself would invite a drastic reversal."

Britain and the Battle Over ERP

By PAUL EINZIG

Reporting on sharply divided opinion in Britain regarding yielding to American conditions imposed by Marshall Plan aid, Dr. Einzig foresees strong opposition in Parliament to any terms that may lead to further weakening of commercial and financial links with the Dominions and Colonies or restrictions on nationalization. Holds Britain is now in better position to face austerity than 2 years ago.

LONDON, ENGLAND—The outcome of the Washington negotiations about the terms of the bilateral pacts on ERP aid is awaited here with the utmost interest. The British Government has been reticent to give any information about the progress of the discussions, and even more so to make any comment on the reports received on the subject from Washington. But the reports themselves, even without any official confirmation, gave rise to widespread grave concern. And the government's announcement of its intention to ask the House of Commons to pass a resolution approving the agreement immediately after its conclusion further aggravated this concern, for it was regarded as an indication that Britain was yielding to the American demands. Under British constitution it is not necessary for the Executive to obtain the ratification of international agreements by Parliament. Even such an important agreement as the Brussels Five-Power Pact concluded in March was not submitted to the House of Commons. The fact that now the government considers it necessary to obtain Parliament's endorsement of the ERP pact is interpreted as meaning that the concessions made must be so important that the government wishes Parliament to share its responsibility for them.

Dr. Paul Einzig

Parliament is sharply divided over the question whether the government, in return for Marshall aid, should make concessions in addition to those accepted in the American Loan Agreement, and the Geneva and Havana Pacts. There are many members in both principal political parties who believe that, since Marshall aid is indispensable, the government has to accept any terms dictated to it from Washington, no matter how detrimental they may be to the interests of the country. On the other hand, there are many Socialists as well as Conservatives who hold the view that the government should make a firm stand even at the risk of losing the benefits to be derived from the Marshall Plan. It is true, in the absence of those benefits the decline of the gold reserve would become further accentuated. Even so, there is a strong feeling that such a drain would be a blessing in disguise, for it would induce the British people to work harder and to consent to sacrifices in the interest of making ends meet, instead of depending on external aid.

The government is bound to be attacked in Parliament and in the country if it should agree to any terms that would lead to a further weakening of commercial and financial links with the Dominions and Colonies. It is alleged in political circles that in the course of preliminary conversations the government made it quite plain to the Washington Administration that it would not agree in any circumstances to a demand to abstain from further nationalizations of industries. This would mean that the government attaches much more importance to purely party matters such as steel nationalization than to matters of national interest such as the maintenance of Empire trade.

Whether or not the story about the government's firm stand against interference with nationalization is true, there can be no doubt that in the general attitude of the government towards Marshall aid Party considerations prevail over national considerations. The government is critized on the ground that the maintenance of the present comparatively high standard of living is secured at the cost of sacrificing the country's political greatness and, taking the long view, the foundations of its economic prosperity. Fortunately for the government, a large section of the opposition is also in favor of taking the line of least resistance. Indeed, the government has a reasonably good excuse for abstaining from choosing the straight and narrow path of self-sufficiency through austerity. Socialists argue that, should the government do that, Conservatives would make political capital out of the unpopularity of the austerity measures.

There is, however, a growing number of members of Parliament who have come to the conclusion that, since sooner or later a supreme effort will have to be made in order to recover Britain's self-sufficiency, now is the time for it. In 1945, at the time of the negotiation of the American loan it would have been too early. The country's system of production was disorganized, the population was exhausted by the war effort, and its physical resistance weakened by war-time diet. Meanwhile the industrial equipment has been converted from war requirements to peace requirements; the more leisurely pace of work has enabled the population to restore its exhausted energies; and it is now better fed than it was during the war and better housed than immediately after the war. So the country is in a better position, both materially and psychologically, to face austerity. But its politicians have not the courage to try it out.

NSTA Notes

"AD LIBBING"

In writing these notes, we are reminded of the majority of the Republican candidates for the nomination. Many would not declare themselves until recently, though all of them aspired to lead the Republican ticket. Perhaps such expressions we should term political. We, the Advertising Committee, are not backward, bashful or backslappers. We say, without hesitation, we want you, your firm, and companies outside of the stock and bond fields, that you may have a financial association with—represented in our 1948 NSTA Convention Year Book of the Commercial and Financial Chronicle.

* * *

Our gross advertising is increasing; however, we need your support, and 1948 may be outstanding politically, economically and, we we must add, advertisingly.

* * *

We are happy indeed to mention two great friends of the NSTA, Messrs. Lou and Graham Walker, who have already contracted for a $300 space in our Convention issue. We always have a debt of gratitude to the National Quotation Bureau, and this is well worth mention.

* * *

Quoting from the Banking Magazine: "In a Presidential campaign the party platform is first planned, then panned, and finally canned."

* * *

K. I. M. YOUR NSTA . . . "BUY ADVERTISING."

* * *

HAROLD B. SMITH, Chairman
Yearbook Committee, NSTA
Collin, Norton & Co.
120 Broadway
New York 5, N. Y.

Ringler & Fierbaugh Opens

(Special to THE FINANCIAL CHRONICLE)

ASHLAND, OHIO — Courtland E. Ringler and Emmett A. Fierbaugh are engaging in a securities business from offices at 50 West Main Street under the firm name of Ringler and Fierbaugh.

Martin With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert A. Martin has become associated with J. A. Hogle & Co., 507 West Sixth Street. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Wm. Sebert Scott Now With Gersten & Frenkel

Gersten & Frenkel, 150 Broadway, New York City, members New York Security Dealers Association, announce that Wm. Sebert Scott is now associated with them in charge of the firm's investment research department. Mr. Scott was formerly a partner in Shepard, Scott & Co.

With Roy E. Hawk & Co.

(Special to THE FINANCIAL CHRONICLE)

ATHENS, OHIO—Belford Nelson has become affiliated with Roy E. Hawk and Co., Cline Building.

Railroad Securities

With the consistent strength in oil stocks, and general acceptance of the theory that this industry is in for an indefinite period of great prosperity, it is little wonder that many investors are once again eyeing certain railroads in the light of their oil potentialities. The shining example of what ownership of extensive oil and gas lands can mean is, of course, Union Pacific. There are a number of others, however, where the prospects of substantial additional earnings from this source have not as yet been so fully exploited. Perhaps one of the most interesting from this standpoint is Atchison, Topeka & Santa Fe which has the further advantage of being a thoroughly sound situation and is reasonably priced merely on its railroad properties and transportation earnings.

Unlike Union Pacific which takes its oil and gas earnings directly into its own income account, Santa Fe's operations are conducted through subsidiary companies. The road has not taken down any dividends from these subsidiaries in recent years so that the profits from this and other outside sources have not been included in the large share earnings of the Santa Fe stock. Last year these hidden earnings amounted to more than $3 a share, the bulk of which, it is believed, represented oil operations. Presumably they will be considerably higher in the current year.

In recent months there have been a number of rumors going around as to purported important oil discoveries on land owned by one or another of the road's subsidiaries. These rumors reached such proportions that the management finally took cognizance of them in a letter sent to stockholders. Specifically, they referred in their letter to a new oil discovery in Lea County, New Mexico by Mid-Continent Petroleum. It was pointed out that this well was not on the property of the railroad. It was further pointed out that the bringing in of one well did not necessarily prove the existence of a major field, although the discovery was characterized as encouraging.

Atchison, Topeka & Santa Fe does not itself own any land or oil, gas and mineral rights in the area in which the discovery was made. However, a wholly-owned subsidiary, Santa Fe Pacific Railroad Company, does own approximately 23,425 acres of oil, gas and mineral rights in Lea County. These rights underlie 11 scattered tracts. The new Mid-Continent well is located about half a mile from the border of the largest of these tracts, containing some 10,785 acres. In this tract some 3,480 acres is under lease to Magnolia Petroleum Company. As to the other 12,640 acres comprising the remaining 10 tracts, a little over 3,000 acres is also under lease. In all somewhat more than 16,000 acres are not under lease.

The company in its letter to stockholders stated that it did not intend to make any further leases of its land in Lea County. Rather, it is their intention to undertake development for their own account, through one of their oil companies, such portions of the remaining acreage as give promise of production. It was further stated that drilling in that area would probably take about six months and that their present thought is that they would not complete more than one well in 1948. Meanwhile it is the apparent intention of other oil companies to drill additional wells in the vicinity. It will probably be some time before the extent of these oil potentialities of Santa Fe can be appraised accurately but they do offer interesting possibilities for substantial additions to the company's earnings.

Meanwhile, and even without considering the oil, the road's earnings prospects are bright. There was a modest increase in net in the first four months in contrast to the drop reported by the industry as a whole. Per share earnings were up to $4.80 from $4.50 a year earlier. It is indicated that the winter wheat yield in the company's territory will be considerably smaller than in 1947. Prospects for other traffic items, however, are good and freight rates are higher. On balance, it appears likely that 1948 earnings will top $20 a share compared with $17.11 for the whole of 1947. This is without dividend income from Western Improvement Co.

Norman Downey V.-P. Of Union Securities

Norman S. Downey has been elected a Vice-President of Union Securities Corp., 65 Broadway, New York City, it has been announced. Mr. Downey is in charge of the firm's Municipal Department and has been associated with Union Securities since 1945.

Oscar Miller Joins Shearson, Hammill Co.

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Oscar M. Miller, formerly Treasurer of General American Investors Corp., has become associated with the firm as head of the research department.

COMING EVENTS
In Investment Field

July 9, 1948 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing.

July 9, 1948 (Louisville, Ky.)
Bond Club of Louisville Annual Party at Sleepy Hollow Club.

July 9, 1948 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Summer Outing at the Tavistock Country Club, Haddonfield, N. J.

July 9, 1948 (Philadelphia, Pa.)
Golf Tournament for STANY Cup at Philadelphia.

July 13, 1948 (Detroit, Mich.)
Security Traders Association of Detroit and Michigan Annual Summer Party at Lochmoore Country Club, Grosse Point, Mich.

July 16, 1948 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Inverness Country Club.

July 19-22, 1948 (Portland, Oreg.)
Annual Convention of National Association of Securities Administrators at the Multnomah Hotel

Aug. 27, 1948 (Denver, Colo.)
Bond Club of Denver-Rocky Mt. Group of IBA joint Annual Party at Park Hill Country Club

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

Byrne and Phelps, Inc. Formed in New York

Roger S. Phelps and William D. Byrne anonunce the formation of Byrne and Phelps, Incorporated which will continue the business heretofore conducted under the name of Campbell, Phelps & Co. The new firm will continue to operate the business as underwriters and dealers in state and municipal bonds from offices at 70 Pine St., New York City.

Roger S. Phelps

Mr. Phelps established the firm of Campbell, Phelps & Co. in 1936 and prior to that time he was associated with B. J. Van Ingen & Co. Mr. Byrne was admitted to partnership in Campbell, Phelps & Co. in 1946 and previously was associated with Shields & Co. and H. C. Wainwright & Co.

Associated with the new firm will be William J. Sillery, Ralph M. Winters, Edmund C. Byrne and Thomas R. Alcock.

Frank J. McCall With Greene in Trading Dept.

Greene and Company, 37 Wall Street, New York City, announce that Frank J. McCall has become associated with them in the trading department. Mr. McCall was previously Manager of the stock trading department of Schwamm & Co. Prior thereto he was an officer of J. F. Reilly & Co., Inc.

Frank J. McCall

Pacific Gas & Electric 5% Pfd. Stock Offered By Blyth & Associates

Blyth & Co., Inc. and associates on June 30 publicly offered a new issue of 1,000,000 shares of Pacific Gas & Electric Co. 5% redeemable first preferred stock, $25 par value, at $26.50 per share and dividends.

The net proceeds will be used to retire bank loans totaling $12,000,000 and to finance, in part, the company's construction program which is expected to call for expenditures of more than $400,000,000 for the years 1948 through 1951.

In addition to the stock being offered, the company has outstanding a total funded debt of $399,092,000; 4,211,662 shares of 6% preferred stock, par $25; 1,173,163 shares of 5½% preferred stock, par $25; 400,000 shares of 5% preferred stock, par $25; and 7,540,379 shares of common stock, par $25.

With First Secs. Corp.

DURHAM, N. C. — Perry A. Sloan has been added to the sales staff of First Securities Corp., 111 Corcoran Street.

Guaranty Trust Analyzes Trade Agreements Act

In current issue of "The Guaranty Survey," bank contends extension of Act is significant mainly in giving reassurance to foreign countries of continuation of reciprocal trade concessions. Sees difficulties in implementing charter of International Trade Organization.

"Approval by the President on June 26 of the bill extending the Trade Agreements Act for one year, with only minor amendments, means that the foreign-trade policy followed by the United States for 14 years, and broadened to meet the altered conditions of the postwar period, is to be allowed to continue for the time being at least.

"The importance of the question of extension has been minimized in come quarters because of the absence of any immediate plans for new trade agreements and the appearance of other and more immediately potent influences on international trade, such as the European Recovery Program," according to the current "Guaranty Survey," monthly review of business and financial conditions, published by Guaranty Trust Co. of New York.

"The General Agreement on Tariffs and Trade signed at Geneva last year seems to have exhausted the present possibilities for reciprocal trade concessions, and it is possible that no further agreement of first rate importance will be concluded during the one-year extension.

"The question, however, has long-term as well as short-term aspects. Over a sustained period characterized by generally mounting trade barriers, the United States has consistently stood before the world as the principal exponent of liberal trade principles. The extension of the Trade Agreements Act is significant mainly in providing reassurance to foreign countries as to the continuity of this policy.

The Trade Agreements Act

"The Trade Agreements Act of the United States, passed in 1934, represented an attempt to counter the worldwide tendency toward higher trade barriers, particularly as such barriers affect foreign markets for American goods and services. The Act authorizes the President to enter into trade agreements with foreign countries, reducing United States tariffs and other import restrictions on goods from abroad in return for reduction of foreign barriers against American products. The original Act, which ran for three years, was extended in 1937, 1940, 1943 and 1945, the last extension providing for termination on June 12, 1948.

"In extending the Act in 1945, Congress broadened the President's authority to grant concessions. The original Act limited any concession to 50% of the rate in effect when the law was passed. By 1945 the United States had used up much of this bargaining power. Congress accordingly placed additional bargaining power at the President's disposal by amending the Act to permit reductions up to 50% of the rates in effect on Jan. 1, 1945. Thus an original rate that had already been reduced by one-half could be further lowered to 25% of the rate in effect when the Act was passed.

Experience Under the Program

"Any significant appraisal of the effects of the program must be based mainly on experience prior to the outbreak of World War II. Exports from the United States to trade-agreement countries in the two-year period 1938-39 were 63% larger than in 1934-35, while during the same interval exports to non-agreement countries increased 32%. Our imports from trade-agreement countries rose 27%, as against an increase of 12½% in imports from non-agreement countries.

"Any effect that the program may have had on official policies and trade volumes has been overshadowed by other factors during and since the war. The world conflict destroyed long-established trade relations and at the same time gave rise to special demands of the most urgent nature. To conserve limited resources for essential needs, nations everywhere adopted rigid trade controls; and to a large extent these controls have been retained and even intensified since the war.

"These tendencies, of course, run directly counter to the aim of the reciprocal-trade program, which is to lower rather than heighten trade barriers in general. For the time being, and perhaps for several years to come, their effects are offset, as far as the trade of the United States is concerned, by the urgent need of foreign countries for American goods and the loans and grants by which those needs are being met. The reduction of trade barriers remains, however, as a long-run objective.

The ITO Charter

"The establishment of the proposed International Trade Organization has proved a difficult matter. Any expectation that a prompt and easy agreement would be reached at Havana was soon dispelled. Large sections of the proposed charter were readily accepted, but others gave rise to disagreements that threatened to end in deadlock. It was not until March of this year that delegations of 54 of the 56 nations which participated in the drafting of the charter signed a greatly altered draft showing many signs of bargaining and compromise. Instead of a few simple and unequivocal rules, the charter contains many complicated provisions, exceptions and escape clauses that can be interpreted in different ways. The signatory nations accept the broad principles of multilateral trade, nondiscrimination, and the reduction of trade barriers. Yet existing preferential agreements are expressly retained; quantitative trade restrictions can be continued or imposed under some broadly stated conditions; discriminatory bilateral agreements remain possible under many circumstances, and assurance of fair treatment to foreign capital is less definite than some investing countries, including the United States, hoped to obtain.

"This result is of course disappointing to those who favor immediate and full application of liberal trade principles. The charter in its present form has been criticized also on other grounds, namely, that it is inconsistent with the maintenance of free competitive enterprise in world commerce and with national freedom of action in the execution of domestic policies. And while there seems to be little disagreement with the broad principles of the charter as long-run objectives in a world restored to some semblance of economic stability, it is widely doubted that those principles can actually be made effective at a time when the devastation, disorganization, financial disorder and personal hardship left by the war add up to an emergency which, most governments believe, continues to call for emergency methods."

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — James E. Brennan is with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

Predicts Business Uptrend Throughout 1948

International Statistical Bureau in semi-annual forecast, however, holds advance will be less vigorous and more uneven than in first half of year.

The trend of business activity in the last half of this year should continue upward but with sharp differences from the corresponding period of 1947 according to the International Statistical Bureau's semi-annual forecast, "Commonsense About the Business Outlook."

The Bureau points out that advance this year will be less vigorous, more uneven. Soft lines, textiles, etc., have not been helped much by the continued boom in durable goods. Price movements will be uneven and varied. Average will move up merely because gains in durable goods are more than enough to offset declines in other sections. In most cases, supplies will be ample. Even for steel, most consumers will have less difficulty than in 1947.

Wage, transportation and fuel costs will average higher than last year, the prediction holds. Durable goods industries will have less trouble in passing on these advances than non-durable, but there will be exceptions in both cases.

Deflationary money trends of the first half will probably be interrupted and reversed during the second half. Continued inflow of gold will add to the money supply, while debt retirement, which has been detracting from the money supply, will be at a minimum.

There will probably be some expansion in commercial and industrial loans, which until recently have been declining, says the report. In many respects the economy will be in better balance at the year-end than it has been in many years, particularly with regard to price distortions. We doubt, however, that this is entirely favorable. The balance will be at an exceedingly high level in terms of value measures, since further inroads on demand backlogs will have been made.

The Bureau goes on to say that the fact that 1948 is an election year is an important but not a decisive factor. No Administration likes to see a decline in business activity upset voters who are preoccupied with the merits of the various candidates. But not all Administrations have been able to prevent a decline in business activity from coming at just the wrong time from the political viewpoint.

If the business structure at the moment was so topheavy that a recession was due, it is doubtful if the Administration could prevent it. The increase in defense spending, however, has been at least a psychological antidote to the break in speculative markets last February, and seasonal factors during the third quarter of the year are favorable. Furthermore, there are a number of strong points in the economy, and particularly in durable goods.

According to the Bureau's forecast, the general level of wholesale prices will probably advance gradually during the remainder of the year. Chance that the January high will be exceeded is increased by the present round of wage advances and the strength in durable goods. Further decline in farm commodities and their related products will probably not be enough to offset advances in metals and metal-finished items. In the durable goods list, however, building materials as a whole are in the most vulnerable position.

In contrast with the last half of 1947, when the price advance was general for all classifications, some prices will probably be going down while others go up, the Bureau points out.

Final Payment on Delaware Bridge Bonds

Francis V. du Pont (right), Chairman of the State Highway Department of the State of Delaware, is shown receiving from Charles S. Garland (left), of Alex. Brown & Sons, a check for $39,520,000, representing the balance due from underwriters on the sale of $40,000,000 The Delaware Memorial Bridge 4% Revenue Bonds. The check was presented at the offices of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City. The first payment by the underwriting group of 121 members, headed jointly by Alex. Brown & Sons, Kidder, Peabody & Co., Harriman Ripley & Co., Incorporated, and Lehman Brothers, was an $800,000 "good faith" deposit made on June 22, 1948. The State of Delaware will use the funds to finance the Memorial Bridge to be built across the Delaware River south of Wilmington.

Others in the picture (left to right) are: Summerfield B. Pearson, Alex. Brown & Sons; Le Roy H. Apgar, Manager, Municipal Department, Harriman Ripley & Co., Incorporated; Francis P. Gallagher, Manager, Municipal Bond Department, Kidder, Peabody & Co.; Elwood D. Smith, Vice-President, Harriman Ripley & Co., Incorporated; Robert H. Richards, Jr., Richards, Layton & Finger, Attorneys, Wilmington, Del.; John B. Jessup, President, Equitable Trust Company, Wilmington, Del.; James W. Allison, Vice-President, Equitable Trust Company, Wilmington, Del.; Enoch R. Needles, Howard, Needles, Tammen & Bergendoff, Consulting Engineers; and David M. Wood, Wood, King & Dawson, Bond Counsel.

Life Insurance Investments

Investments made by the life insurance companies of the country during the first four months of 1948 and holdings at the end of April are reported by the Institute of Life Insurance as follows:

	Acquired				Holdings	
	April *1948	April 1947	4 Mos. *1948	4 Mos. 1947	Apr. 30 *1948	Apr. 30 1947
	(000,000 Omitted)					
U. S. Government Securities	$133	$101	$834	$384	$19,070	$21,233
Railroad Bonds (U. S.)	45	31	91	80	2,850	2,788
Public Utility Bonds (U. S.)	178	175	559	327	7,270	5,572
Industrial and Misc. Bonds (U. S.)	221	227	1,008	592	5,685	3,756
Stocks (U. S.)	13	35	70	89	1,422	1,221
State, County, Munic. Bonds (U. S.)	16	8	56	21	637	614
All Foreign Securities	9	14	47	137	1,752	1,736
World Bank Bonds	1	0	5	0	50	[illegible]
Farm Mortgages	27	26	118	97	903	[illegible]
F.H.A. Mortgages	76	26	293	75	1,638	1,192
Veterans Administration Mortgages	39	46	181	170	1,040	[illegible]
Other Mortgages	143	101	496	419	5,764	[illegible]
Total Securities and Mortgages	$901	$790	$3,758	$2,391	$48,081	$44,359
Farm Real Estate	0	0	0	0	70	[illegible]
Other Real Estate	42	27	98	58	867	653
Policy Loans	38	31	128	102	1,968	1,875

*Starting with 1948, this tabulation includes for the first time the investments of the accident and health departments of the life insurance companies. Figures for 1947 and earlier years are therefore not strictly comparable.

R. V. Klein Co. Offers United Oil Com. Stock

R. V. Klein Co., New York, on June 28 offered publicly 980,000 shares of common stock (par 10c) of United Oil Corp. (Del.) at 30 cents per share. These securities are offered as a speculation. The net proceeds will be used to drill well, working capital, etc.

The United Oil Corp. was formed for the purpose of engaging in all phases of the oil business, and more particularly, to drill a well on certain properties in the Oklahoma-Logan County Lease Block.

To Represent Kenney & Powell in Pennsylvania

Kenney & Powell, 25 Broad Street, New York 4, N. Y., are pleased to announce that they are now registered in the Commonwealth of Pennsylvania where they will be represented by Edgar P. Hamilton of Gettysburg, Pa.

Mr. Hamilton, for the past 25 years, has been actively associated with the investment business specializing in state and municipal bonds.

With Investment Service Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Philip C. Edmunds has joined the staff of Investment Service Corp., Security Building.

Securities Salesman's Corner

By JOHN DUTTON

Within about five hundred miles north of New York City there are a good many lakes and streams where you can catch fresh water fish. There are also plenty of fish in the ocean. But I happen to be a fresh water fisherman and since I have an interest in both fishing and selling securities, here is the way they both stack up to my way of thinking. These fresh water fish consist of a few trout, some bass, and the usual run of pan fish. If you go up to Westchester and Putnam county and try wetting your line you can fish your head off and come home with an almost empty creel. There are two fishermen for every fish. If you try your luck the first day of the trout season you can hardly get your line into the water without snipping another angler on the ear or snagging him in the pants. It is true that the experts write about the big ones that they catch but their stories are something like this column (it's a lot easier to write about it than to go out and do it). But it is true that the first thing you must do if you want to catch fish is to GO WHERE THEY ARE. IN OTHER WORDS, IT IS THE SAME AS IN MERCHANDISING AND SELLING ANYTHING THAT HAS MERIT—FIRST FIND YOUR BEST MARKET.

When I fish around here I must admit that I am as big a duffer as you will find anywhere. I have waders, boots, rods and reels, flies, minnows, minnow buckets, worms, frogs, grass hoppers, helgamites, net, mosquito oil and two shot guns. I have been up at the crack of dawn—I have trolled for them, tossed flies at them, whistled to them and once I even promised a big laker that I saw swimming right by me up in Kensico Reservoir that I'd toss him right back if he'd only turn around and take one nibble at my hook—but Mrs. Dutton always goes to the butcher store and buys a steak before I go out to fish around here.

Several times during the summer, if I am able, I like to go about four hundred miles from here (won't tell you the spot—you'll have to find your own). There I meet another stock salesman who likes to fish and we take one rod apiece, some simple tackle and we start out. But there is a catch to it—WE HIRE A GUIDE. If we don't find 'em in one place we go to another. We drift and we troll—sooner or later something happens. It we get only an occasional strike we keep going but when those small mouth bass start to hit our minnows, our guide tosses out a marker. Then we go back and anchor, and the fun begins. I am the same duffer fisherman up there where the fish are—but the fish are hungry and they like our bait. The only time I ever come home without fish is when I go where they ain't—or when they are not hungry.

So many of us go through life with the wrong tackle, or we fish in overworked streams. It doesn't matter what service or product we are offering to our fellow men—if the thing has merit and enough people can use it, and are HUNGRY enough to buy it, we can do business. We can do business even if we have halitosis, flat feet, a homely face, or a hare-lip. We may not do as much business with such handicaps as we would without them but one thing is as sure as the dawn of day and that is IF YOU WORK AMONG PEOPLE WHO HAVE A DESIRE FOR YOUR PRODUCT, and you have even ordinary common sense and don't kick your prospective customers in the face YOU ARE GOING TO DO BUSINESS ("CATCH FISH").

MORAL: If you are not doing enough business maybe you need a guide to show you where the fish ('scuse me, we mean prospects) are hiding. Maybe you've fished in the same old stream too long? Possibly your skill and your tackle are OK. Maybe you need some new faces to call upon. You obtain new prospects by:

Advertising in your local paper—
Through direct mail—
Through radiation from friends and customers—
By direct solicitation.

P. S.—Under no circumstances will we answer any letters requesting the location of that place where we always catch fish.

Bendix, Luitweiler Branch

Bendix, Luitweiler & Company, members of the New York Stock Exchange, announce the opening of a branch office at Lake Placid, N. Y., under the management of Eric M. Goldsmith.

Martin E. Nelson Retires From Chicago Exchange

CHICAGO, ILL. — Martin E. Nelson, Treasurer Emeritus of the Chicago Stock Exchange, where he has been employed since June 27, 1904, has retired.

Elected Treasurer of the Exchange in 1939, Nelson served in that capacity until 1942 when the Board of Governors elected him Treasurer Emeritus, to remain an active member of the staff in an advisory capacity. Previously, for 14 years, he acted as Assistant Secretary and Assistant Treasurer.

Nelson began his career with the Exchange working with William B. Wrenn, Secretary, as the only other paid office employe at the time. Granger Farwell, then President, was the first of 20 Exchange Presidents under whom Nelson served.

Two With Herrick, Waddell

(Special to *The Financial Chronicle*)

HASTINGS, NEB.—Melvin L. Cramer and Herbert E. Nelson are now connected with the staff of Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

Clement Appointed by N. Y. Port Authority

The appointment of Karl G. Clement, as Deputy Comptroller of The Port of New York Authority has been announced by Joseph M. Byrne, Jr., Vice - Chairman of the Authority.

Karl G. Clements

Mr. Clement was previously for 15 years with the Vick Chemical Company, New York, serving as Comptroller and, after the war, as Assistant to the Chairman of the Board. Before that he was Assistant to the Comptroller of the Bendix Aviation Corporation of New York and South Bend, Indiana. During the war Mr. Clement served overseas as a Colonel on General James Doolittle's Eighth Air Force staff. Mr. Clement is a member of the Controllers Institute of America and is a past Director of the New York Control of the Institute.

A graduate of the University of Minnesota, Mr. Clement was born in St. Paul, Minnesota, in 1906. He is married and has a daughter.

Brewer Pres. of N. Y. Municipal Bond Club

Orlando S. Brewer, of Phelps, Fenn & Co., has been elected President of The Municipal Bond Club of New York. He succeeds James G. Couffer, of B. J. Van Ingen & Co. Inc. Other officers elected were Norman S. Downey, Union Securities Corporation, Vice-President; William T. Hall, Jr., Daily Bond Buyer, Secretary; and R. George LeVind, Blyth & Co., Inc., Treasurer.

Orlando S. Brewer

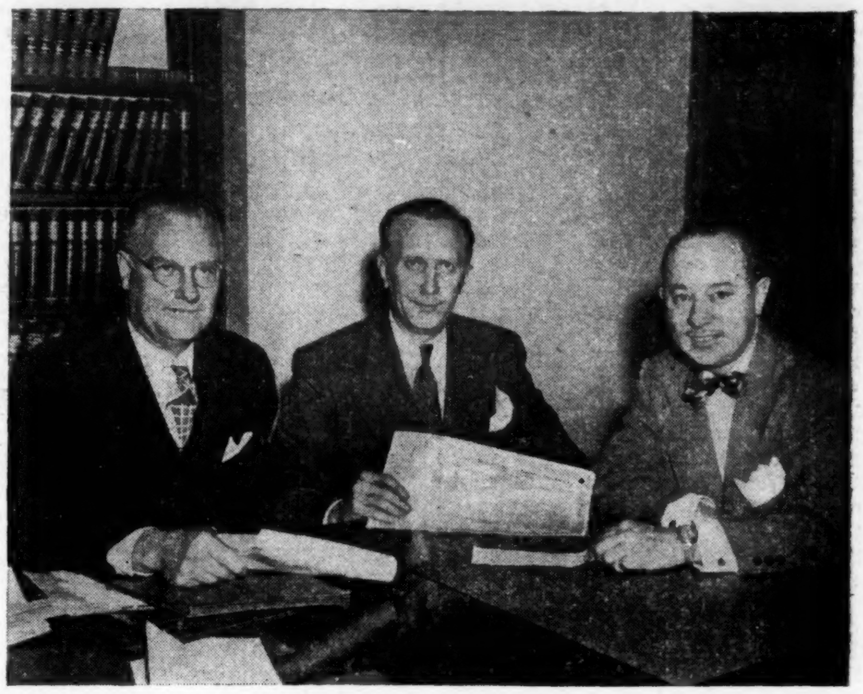
E. J. Altgelt, Jr., Harris Trust & Savings Bank, and E. M. McLaughlin, Paine, Webber, Jackson & Curtis, were elected members of the Board of Governors.

Steiner, Rouse Opens Office in Mobile, Ala.

MOBILE, ALA.—Steiner, Rouse & Co., members of the New York Stock Exchange, announce the opening of an office is under the management of Patrick E. Hughes. Dudley W. Lang, Jr., will be manager of the firm's bond department in this new office.

The firm will occupy temporary quarters at 64 North Royal until the building under construction at 108 North Royal is ready for their occupancy.

First Airline Equipment Trust Financing



Closing of first airplane equipment trust financing in history. (Left to right: Edward V. Otis, Vice-President, Gearhart & Co., underwriters; Frank J. Momot, Trust Officer, Colonial Trust Co., trustee; and O. Roy Chalk, President, Trans Caribbean Airways.) Mr. Otis, speaking for the underwriters, said: "This pilot equipment trust financing for Trans Caribbean is important in that it is the first, and in the future, most of the important factors in the aviation industry predict, it will become as general a financing practice as it has been in railroading, thereby eliminating a principal drawback in the expansion of our peacetime aviation industry."

Mr. Chalk predicts that this first "pilot" offering has demonstrated that equipment trust financing will become standard practice in aviation as it has been in the railroad industry. This financing covered the purchase of a single DC-4 plane and cuts existing airline finance charges on the equipment in half.

NAM Sees No Serious Inflation Threat

Study made by its research department points to decline in money in circulation and finds no need for further credit controls.

The general trend of bank credit during the first four months of this year does not indicate "any serious inflationary threat at this time," the National Association of Manufacturers' research department reports in a study on bank loans and credit control.

"In view of the general trend of bank deposits, bank loans, the amount of money in circulation and the holdings of government bonds held by commercial banks, it seems doubtful if there is any convincing reason at this time for additional control measures," the study said.

"It appears to be highly desirable to postpone the adoption of any further credit controls until the general trend of bank credit asserts itself more fully."

It was pointed out in the report that the Board of Governors of the Federal Reserve System has urged Congress to provide additional credit controls.

"This demand appears to be based upon an assumption that the recent trends in bank lending are basically inflationary in character," the NAM research study said. "The advances in real estate loans and consumer credit are taken as strong reasons for exercising additional controls at an early date. The leveling off in the amount of bank loans in the first quarter of the year is regarded as a seasonal or temporary development which will be followed later in the year by an expansion of bank loans.

"The Secretary of the Treasury, on the other hand, does not recognize the need for additional controls of bank reserves which have been requested by the Board of Governors. The government still appears to support a liberal policy toward real estate financing, especially with regard to mortgage loans for veterans.

"The Treasury, with the assistance of the Federal Reserve, continues its price support program for government obligations."

The study observed that "it is unfortunate that the difference of opinion exists" between the Treasury and the Board of Governors. It is generally recognized, the analysis continued, that the Treasury policy of price-support and low interest is inconsistent with the efforts to restrict bank credit and to ward off further inflationary factors.

"Many bankers and businessmen find the demands for additional controls at this time rather puzzling, in view of the general trend of business and bank lending," the report said.

"It is true that consumer credit and real estate loans have moved somewhat higher, but commercial or business loans have levelled off, in fact have actually declined from March 10, when commercial and agricultural loans amounted to $14.6 billion."

The American Bankers Association, the study pointed out, has urged bankers voluntarily "to scan all loan applications and to refuse any that are likely to prove inflationary in character."

Since Dec. 31, 1947, through April of this year, the study noted, the total amount of money in circulation declined from $28.9 billion to $27.8 billion—or by more than $1 billion.

"This decline is in sharp contrast to the trend which had existed in this country from Dec. 31, 1945, to the end of 1947," the NAM research department said. "Making allowance for the seasonal decline in the amount of money in circulation which takes place at the end of each year, the drop seems in this case to be clearly more than a seasonal decline. If this conclusion is well-founded, the decline in the amount of money in circulation will be regarded no doubt by some at least as mildly deflationary."

Joins Goodbody Staff

(Special to *The Financial Chronicle*)

CHARLOTTE, N. C.—Mrs. Thelma Cloaninger is with Goodbody & Co., 137 Brevard Court.

Brown & Bigelow Stock Now on Big Board

Growth Trend of Sales and Profits Continues in Marked Way

Brown & Bigelow's 1,263,645 shares of $1 par value common stock were admitted to listing on the New York Stock Exchange on June 25. This stock, which was offered initially to the public only six months ago, previously has been traded on the over-the-counter market.

Charles A. Ward

Headed by Charles A. Ward, as President and General Manager, the company's net sales in the past ten years have jumped from $6,355,625 in the 1938 fiscal year to $34,774,313 for 1947. Likewise, net profit has risen sharply from $447,117 to $2,267,661 in the same ten-year period.

Mr. Ward said that the Brown & Bigelow stock would now have added collateral value because banks, in making loans, favor securities with an exchange market.

Established in 1896, the company was a pioneer in the field of advertising calendars, which is still the company's most important product. Today 73% of all the commercial calendars hung in the country are Brown & Bigelow's. However, in recent years the company has diversified its business to include advertising items in the paper line, leather goods, engraved products, metal and plastic novelties, and playing cards.

Brown & Bigelow sells directly to its customers through a nationwide sales force of 930 men working out of 38 sales offices. In addition, the company has 21 foreign distribution outlets.

Advisory Council of World Bank to Meet

The Advisory Council of the International Bank for Reconstruction and Development will hold its first annual meeting at the Bank's headquarters in Washington, D. C., July 19-23, under the chairmanship of Sir Arthur Salter, of the United Kingdom.

The Advisory Council, which is provided for under Article V, Section 6, of the Bank's Articles of Agreement, is comprised of 10 members, representing banking, commerce, industry, labor, agriculture, science, economics, and other activities. The Council is required to convene once a year and its members, selected by the Board of Governors, serve for a term of two years.

It is the function of the Council to advise the Bank on matters of general policy. These are expected to comprehend world-wide economic and financial problems, particularly those confronting member countries.

Members of the Advisory Council

Sir Arthur Salter, Chairman of the Advisory Council, is an eminent British economist. Throughout his career he has held various important government posts. He was Director of the Economic and Financial Section of the League of Nations for eight years, and a member of the League Economic Advisory Council since 1932. He served as Senior Deputy Director General of UNRRA in 1943-44, and has been a member of the British House of Commons since 1937.

Pedro Beltran, Peruvian agriculturist and statesman, was formerly Director of the Amazonas Corporation of Peru and President of Sociedad Nacional Agraria of Peru. He served as a Peruvian delegate to the international conferences at Bretton Woods, Chapultepec and San Francisco.

Edward Eagle Brown, of the United States, is Chairman of the Board of the First National Bank of Chicago. He has been President of the Federal Advisory Council of the Federal Reserve System since 1934, and was a member of the United States delegation at Bretton Woods.

Colonel R. Dickson Harkness, Canadian industrialist, has been Vice-President, General Manager and Director of the Northern Electric Company, Ltd., of Canada since 1938.

Herbert Hoover, former President of the United States, represents commerce on the Advisory Council.

Leon Jouhaux of France, prominent in international labor organizations, was Vice-President of the International Federation of Trade Unions for four years prior to the war. From 1936-38 he was a member of the General Council of the Bank of France.

Michal Kalecki, Polish economist, has had wide experience in the field of economic research. In 1946 he served in Poland as a financial expert on the Central Planning Board, the Ministry of Finance and the Ministry of Reconstruction. Since November of that year he has been Special Advisor to the Director of the Division of Economic Stability and Development in the Economic Affairs Department of the United Nations.

Sir G. Venkata Raman, of India, a scientist of note, is internationally famous for research in physics and has received many honors for his work in this field. He is also a member of numerous national scientific societies.

Lionel C. Robbins, British economist, has been Professor of Economics in the University of London since 1929. During the last war he was Director of the Economic Section of Offices of the British War Cabinet and was a member of the United Kingdom delegation at Bretton Woods.

S. K. Alfred Sze, Chinese statesman, has represented his country at numerous international conferences and is well-known in both the United States and Britain where he has served as Ambassador.

E. B. Hawley, V.-P. Of Clayton Secs.

BOSTON, MASS.—Clayton Securities Corporation, 82 Devonshire Street, announces that Edmund Blair Hawley, formerly Vice-President and director of the American Block Company, has become associated with the organization as Vice-President and will specialize in the investment counsel field. Mr. Hawley is a graduate of Yale University and the Harvard Graduate School of Business Administration.

With Hopkins, Harbach

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lloyd W. Spitzbarth has become affiliated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. He was previously with Edgerton, Wykoff & Co.

Edgar Lanfare Opens

Edgar Lanfare has opened offices at 40 Exchange Place, New York City, to engage in a securities business. He was formerly with Hanson & Hanson.

GOP Names Pavis For Congress

Frank A. Pavis, of C. E. Quincy & Co., a member of the Security Traders Association of New York, was given the Republican designation for Congress from the 16th Congressional District which includes Staten Island where he resides.

Frank A. Pavis

Members of the trading fraternity are well acquainted with Frank's unbounding energy. For many years he held important posts in the Traders Association and in 1947 was Second Vice-President. Well known on both Manhattan and Staten Islands for his efforts in fund raising activities for charitable purposes, Frank is at present Vice-President of the Staten Island Community Chest. He is a member of the Advisory board of the Catholic Youth Organization and was Chairman of the Staten Island War Memorial Association's recent ball.

He is a director of Staten Island Social Service and was Chairman of the Men's Committee of the National Catholic Community Service Center in St. George during the war.

In 1944 he was designated for City Council by the Republican County Executive Committee. Although his name was ruled off the ballot by technical defects in his designating petitions, he received a large write-in vote in the general election.

His friends in the financial district are rooting for him and many of them have pledged themselves to assist in his campaign.

Ernest O'Loughlin Opens

(Special to *The Financial Chronicle*)

INDIANAPOLIS, IND.—Ernest W. O'Loughlin is engaging in a securities business from offices at 418 East Fifteenth Street.

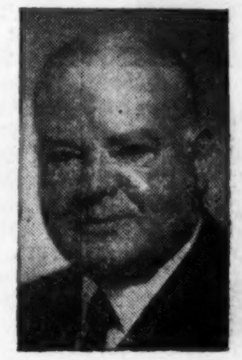
Ragan Resumes Investment Business

(Special to *The Financial Chronicle*)

INDIANAPOLIS, IND.—Paul S. Ragan has opened offices in the Fletcher Trust Building to conduct a securities business. In the past he was a partner in Kennedy & Ragan.

Hear! Hear!

"Our friends abroad should realize that we are today certainly straining our American economy to the utmost. Warning signals already clang in our ears. Relief and defense will soon be costing us over $22 billion a year. Our Federal budget threatens to increase to $50 billion a year unless we delay many plans for internal social and economic improvement.



Herbert Hoover

"Even our present 40-odd billion taxes and the export of materials so drain the savings of our people that in the year 1947 we did not properly maintain and expand the great tools of production and distribution upon which our standard of living depends.

* * *

"Therefore, with full compassion for those nations in difficulties, certain matters in aid to them must be recognized on both sides of the world.

"Our task is solely to aid their reconstruction. We can provide only bare necessities. There is no room for non-essentials, profligacy, or inefficiency.

"We must not create a perpetual dependence of Europe and Asia upon us. We must not soften their preparedness to meet their own dangers. Otherwise our sacrifices will only undermine their self-reliance and the contribution they must make themselves toward the saving of western civilization.

"We must insist that reconstruction of Western Europe be as a whole. That must include the restoration of the productivity of Germany, or Europe will die.

"We need neither forget nor condone Nazi guilt, but a free world must not poison its concepts of life by accepting malice and hatred as a guide. Otherwise, not only will our efforts fail, but the American taxpayer will be bled white supporting an idle and despairing German people."—Herbert Hoover.

At length, some sanity in this matter of foreign aid!

Herrick, Waddell Adds

(Special to *The Financial Chronicle*)

CHICAGO, ILL.—Bertha B. Fox and Joseph M. Vandeveer are with Herrick, Waddell & Reed, Inc., 332 South Michigan Avenue.

Joins Leason Staff

(Special to *The Financial Chronicle*)

CHICAGO, ILL. — George R. Cole has been added to the staff of Leason & Co., Inc., 39 South La Salle Street.

Joins Thomson, McKinnon

(Special to *The Financial Chronicle*)

CHARLOTTE, N. C.—John F. Edmond has been added to the staff of Thomson & McKinnon, Johnston Building.

William Smith Opens

ORANGE, N. J.—William A. Smith is engaging in a securities business from offices at 340 Lincoln Avenue.

Canadian Securities

By WILLIAM J. McKAY

To the casual observer it is no doubt highly remarkable that in view of Canada's spectacular economic progress since 1939, the exceptionally capable management of the country, its unblemished credit-standing, and the Dominion's unexcelled prospects, that any doubts are held concerning:

(1) The ability of the Canadian dollar to hold its prewar parity in relation to the U. S. dollar.

(2) The value of Dominion of Canada 3% (payable in U. S. funds at par) internal obligations at the external level of 10% discount.

In order to commence to appreciate this apparently anomalous situation it must be understood in the first place that Canada's current problems would be few indeed had the attitude towards its world responsibilities been less generous and constructive. Too little attention has been paid to the fact that Canada's contribution to European relief during and since the war has been greater on a per capita basis than that of this country itself. Outright gifts (Mutual Aid) to foreign countries during the war alone accounted for $3½ billion (and it must be understood that Canada did not accept one penny of Lend-Lease assistance). Since the war the Canadian contribution to post-war recovery in the shape of loans has amounted to approximately $2½ billion. For a country whose population is only one-twelfth of that of this country such an effort is truly astonishing. Although this superlative effort has placed a severe immediate strain on the Dominion's financial resources, it has in no way impaired Canada's basic economic strength. On the contrary as the Canadian administration wisely foresaw, it was essential in order to maintain the impetus of the wartime economic progress, to do everything possible to maintain world-markets in the difficult post-war transition period. This Canadian achievement is all the more remarkable as, while on the one hand the Dominion economy had to support this tremendous volume of foreign expenditure, during the same period Canada's direct external debt to this country and to Great Britain was drastically reduced.

Having surmounted with such outstanding distinction the difficult war and immediate postwar economic hurdles it is enlightening to examine the present situation with an eye to the future. Since 1939 the Canadian economy has undergone a remarkable transformation. Whereas before the war Canada was principally a producer of primary products, today while still maintaining her eminence in this field, the industrial output has tripled in comparison with the 1939 level. Last year in consequence the value of Canadian exports reached a record total of $2¾ billion and still further progress is indicated according to the results so far recorded this year. As it is now evident that the Dominion's resources will not be taxed to any considerable degree by extensions of foreign credits, the Canadian financial situation will be strengthened as a consequence of the Dominion's overall favorable balance of trade.

Moreover as it is becoming increasingly clear that Canada is now on the threshold of new and greater era of economic progress the close student of the Canadian scene can readily share with the casual observer a certain bewilderment concerning any doubts with regard to the standing of the Canadian dollar and the value of Dominion of Canada bonds at their currently depressed level.

During the week there was an increased volume of supply of external bonds but prices were well maintained. After the recent decline the internal bond section displayed a firmer tone but activity was still on a restricted scale. Stocks were irregular and mostly lower with the gold averages touching their lowest levels since 1943 following continued switching from this section to the industrial issues. The papers, oils, and base-metals were inclined to resist the general downward trend and there was especially keen demand for Consolidated Mining and Smelting stock.

Winners at Outing Of Investment Ass'n

At the second annual outing of the Investment Association of New York held Wednesday at the Montclair Golf Club, Joseph A. Lee of Union Securities Corporation shot a 40 on both the outgoing and incoming nines under miserable weather conditions for an 80 to take the low gross award in the golf competition. A steady drizzle with intermittent rains and low visibility hampered the golfers during the day and washed out tennis and other games. Over 75 were present.

William Legg of Mackubin, Legg & Co., Baltimore, head of the junior investment banker and broker group in that city and a visitor at the outing, took the low net prize with a net 62. John Coggeshall of Coggeshall & Hicks drove to within three feet of the pin on the seventh hole to win the nearest-the-pin competition. Rodney Boynton of H. F. Boynton & Co., Inc., was the winner in the kickers handicap. E. Johannes Schuyten of The First Boston Corporation won a television set, top prize in the raffle.

Philip Moore of Schroder, Rockefeller & Co., Inc., President of the Association, presided at a dinner in the evening and Stanley Russell, Jr., of Blyth & Co., Inc., in charge of outing arrangements, awarded the prizes. Heads of junior groups in Toronto, Montreal, Boston and Philadelphia were guests in addition to Mr. Legg.

Newton Parkes, Jr., Is Now With Bioren Co.

PHILADELPHIA, PA.—Newton H. Parkes, Jr., is associated with Bioren & Co., 1508 Walnut Street,

N. H. Parkes, Jr.

members of the New York and Philadelphia Stock Exchanges, in the firm's trading department. Mr. Parkes was formerly with the trading department of E. H. Rollins & Sons, Philadelphia office.

Breckenridge Again Heads Toronto Exch.

TORONTO, ONT., CANADA—With the closing of nominations for the officers and committee members of The Toronto Stock Exchange, R. J. Breckenridge of the firm of Breckenridge, McDonald & Co. was elected President by acclamation for the second term. The position of Vice-President was again filled by A. L. A. Richardson of Dickson, Jolliffe & Co., while D'Arcy Manning Doherty, O.B.E., of Doherty Roadhouse & Co., was elected Secretary, and George L. Jennison of Wills, Bickle & Co., Treasurer, all of whom took office by acclamation.

Members of the Managing Committee elected were: Frank G. Lawson of Moss, Lawson & Co., W. G. Malcolm of A. E. Ames & Co., Gordon W. Nicholson of G. W. Nicholson & Co., T. A. Richardson of T. A. Richardson & Co., J. B. White of J. B. White & Co., and J. C. L. Allen of C. C. Fields & Co.

President Breckenridge has been a member of the Managing Committee for some years. Starting with N. C. Urquhart & Co. 25 years ago, he became a partner in 1933 and on the retirement of Mr. Urquhart in 1942, continued the firm under the name of Breckenridge, McDonald & Co. A newcomer to the officers, George L. Jennison, has been 23 years in the brokerage business. He was educated at Western Canada College and the University of Toronto. During the war he was Director of Priorities Branch of the Department of Munitions and Supplies.

Newly elected as a member of the Managing Committee, John C. L. Allen, managing partner of C. C. Fields & Co., has been 20 years in the brokerage business. He was educated at Upper Canada College and the University of Toronto.

S. F. Exchange Gov.

SAN FRANCISCO, CALIF. — The San Francisco Stock Exchange has announced that the Board of Governors had appointed Howard J. Greene a member of the Board to fill the vacancy caused by the resignation of Arthur N. Selby. Mr. Greene and Mr. Selby are both general partners of the firm of Sutro & Co. Mr. Greene's term will expire upon the next annual election of the Exchange. Howard J. Greene has been a member of the Stock Exchange since Jan. 2, 1930. He has served on most of the committees of the Exchange and represents his firm on the Floor of the Exchange.

Nevada Banker Urges Gold Standard Return

Jay E. Brinton endorses proposal as cure of inflation and endorses Mundt Bill.

Speaking at the annual convention of the Nevada Bankers Association last week, its retiring President, Jay E. Brinton, President of the First National Bank of Ely, Nevada, urged the return of the nation to the gold standard as the most efficient means of preventing further inflation. Said Mr. Brinton:

Jay E. Brinton

"Constant confusion seems to be the aim of our money managers—one department or faction will put out propaganda to incite and increase inflation, then another department wants additional powers to control the inflation caused by the actions of the first department and soon creates a cycle that gets more chaotic and uncontrollable as it goes around, and inflation seems to edge higher on each round.

"We haven't any real currency inflation as yet except for the fact that very little of our currency is redeemable, but if our money managers continue along the same lines that they have been going for the past 15 years it seems inevitable that the situation will get completely out of control—and I think that some move should be made by the banking fraternity to get our nation back on a gold standard. The Economist's National Committee on Monetary Policy has recommended the enactment of the Mundt Bill—J. H. Frost, Chairman of the Board of the Frost National Bank of San Antonio, speaking at the Texas Bankers Association Convention, expressed the belief that a definite plan to return to a real gold standard would be the best way to cure inflation, and advocated that Congress create a national monetary commission to study the proposition.

"Until some changes are made at the national level, however, we in Nevada must keep our banks ready for any eventuality and that means build up your capital account. Statistics show that the national average percentage of capital accounts to deposits is 6.7%; those same statistics show Nevada's average to be 4.4%—so build those reserves up as fast as the tax commission will permit.

"I surely hope you will continue the fine support you have given the Association and its officers the past year and I especially hope that the new officers will be able to bring our tax problem to a successful conclusion. They will need your wholehearted cooperation."

Finds Canadian Dollar Situation Better

Bank of Montreal "Business Review" of June reports excess of imports from U. S. in six months since import restrictions were imposed have reduced from $457 million in 1947 to $219 million in current year.

The "Business Review" covering June, published by the Bank of Montreal, takes an optimistic view of the U. S.-Canada dollar situation in the light of recent developments.

"Foreign trade figures to date afford evidence of the effect that governmental measures have had toward resolving the problem of Canada's U. S. dollar deficiency," the bank observes. "In the six months since import restrictions were imposed last November the net excess of merchandise imports from the U. S. A. has amounted to only $219 million as compared with $457 million in the same period a year earlier," the review stresses. "It is noteworthy, however, that this reduction of $238 million in the unfavorable balance is accounted for predominantly by greater exports to the United States, which increased $158 million, rather than by reduced imports, which fell $80 million between the two periods."

Commenting on trade with all countries, the review says that, while the government had estimated that the surplus for the full calendar year might be of the order of $150 million, a favorable balance of $145 million had already accumulated during the first five months.

The Bank of Montreal also points out that, in appraising statistics of business activity, "it is becoming increasingly important to distinguish between those representing physical units and those expressed as money values."

"Production in quantitative terms, the real measure of economic growth, is at very high levels by peacetime standards but appears to be touching the limits of capacity set by the full employment of human and productive resources under existing working conditions, and is subject always to the variable bounty of nature," the review states. "Thus, continuing increases in dollar aggregates represent largely a marking up of prices or an advance in rates of pay. Indeed, some element of present and potential instability can be discerned in possible repercussions of changes in prices and costs."

SEC Proposes Some Changes in Prospectus Data

The Securities and Exchange Commission on June 24 announced proposed changes in its registration requirements under the Securities Act of 1933. The four most important proposals are: (1) deletion from the prospectus of a disclaimer that the registrant does not assume responsibility for the accuracy of statements made when based upon information which is not reasonably available or which can be acquired only with difficulty and relatively heavy expense; (2) modification of the item with reference to information regarding renumeration to officers and directors; (3) requirement that copies of the preliminary or "red herring" prospectus, if distributed, be in identical form with that filed with the SEC; and (4) amendment of the item calling for information as to the registrant's principal holders of equity securities so as to include information on transactions with affiliates, whether such transactions involve the acquisition of property or not.

Underwriters and other interested parties are given until July 23 to submit comments or recommendations regarding these proposed changes.

New York Curb Exch. Celebrates Anniversary

The New York Curb Exchange is celebrating its 27th anniversary as an indoor securities market and the passing of the old outdoor curb market, which had operated daily in Broad Street near Wall Street for many years. On June 27, 1921, a sizable group of brokers long accustomed to open air trading met for their first business day on the trading floor of their new quarters in Trinity Place.

The Curb Exchange, one of two national securities markets in the United States, traces its origin back to a period before the Civil War. Through its early history the old outdoor curb market had operated in a number of places in the Wall Street vicinity, first at Wall and Hanover Streets and later in William Street between Exchange Place and Beaver Street, where it remained during the Civil War before seeking added space in Broad Street.

The first recorded constructive step toward organization of the outdoor curb brokers was taken in 1908 with the formation of the New York Curb Agency which evolved in 1911 into the New York Curb Market Association with offices at 25 Broad Street. The trading hours which are in vogue today were established and the Curb's listing department organized at that time.

By 1915 the volume of outdoor security transactions began to make an indoor operation imperative. On June 6, 1919, the New York Curb Market Association decided in open meeting at the Hotel Commodore to move indoors. On March 30, 1921, the Association approved a new constitution changing its name to the New York Curb Market to be effective when the Curb moved indoors. In 1929 the official title became the New York Curb Exchange.

During its first quarter century of operation as an indoor securities market the Curb Exchange has established itself as one of the world's leading Exchanges. Its function in the financing of American industry is widely recognized, as is its role as an international marketplace for the trading of securities of many foreign nations and companies.

During the year 1947 volume of trading in stocks totaled 72,376,027 shares, compared with 15,522,415 shares in 1921. Bond trading during 1947 amounted to $88,638,000 against $25,510,000 in 1921. At the close of 1947 total market value of all stocks dealt in on the Curb Exchange was $12,144,870,196, while bonds had a market value of $1,057,783,791.

At present the New York Curb Exchange lists a total of 823 stock and 111 bond issues. The last seat sale was arranged on May 18, 1948 at $23,000, up $3,000 from the previous sale of $20,000 on May 17, 1948. The present seat market is $12,000 bid and $23,000 offered.

Burley Co. Regains License

Burley & Co., New York City, has had its registration as a broker-dealer restored by the Securities and Exchange Commission. The Commission had revoked the firm's registration in August, 1946, for "unlawful securities transactions, including the taking of secret profits." Later, a restraining order was issued by the New York State Supreme Court against Chester C. Burley, Sr., based upon the same transaction. Chester C. Burley, Sr. and Albert W. Burley are partners in the firm.

The SEC said the registration was restored because of "Substantial restitution of $3,500 of secret profits"; losses suffered by the Burleys as the consequence of the 1946 revocation order; and self-imposed limitations upon the firm's securities business.

Public Utility Securities

Niagara Hudson Power

Niagara Hudson Power in May filed with the SEC a plan for the consolidation of its three principal subsidiaries into one operating company. This plan had already received the blessing of the New York Public Service Commission, after a long period of hearings and investigation of accounting problems. As the apparent price of approval by the State Commission, the company agreed to make certain write-offs in subsidiary plant accounts, and to increase depreciation reserves to effect substantial conformity with Chairman Maltbie's ideas of straight-line accruals (Mr. Maltbie has recently resigned).

On June 22 a supplementary plan was filed with the SEC providing for recapitalization of the holding company itself. The major problem is to effect retirement of senior obligations, including a bank loan of about $25,000,000 (which will be reduced to $20,000,000 by the year-end) and some $48,000,000 par value of first and second preferred stock (on which all arrears have now been paid off). The company plans to retire these claims by "easy stages." The first step would be to issue $52,116,000 10-year debenture 3s in exchange for the preferred stocks at their call price of 107½. Net savings from such an exchange, including tax savings on the interest, would be equivalent to an estimated 15¢ per share on the common stock. Such an exchange would be mandatory under a Federal Court order. It is evidently assumed that the new bonds will be worth par (a device which will help support the market is mentioned below). By paying the call premiums instead of par for the preferreds, the management evidently hopes to avoid litigation and to speed consummation of the plan.

The next step will be to raise cash to reduce the bank loan and debentures. A novel method has been devised. The common stockholders of Niagara will be offered exchange rights (in effect subscription rights): on payment of $7.50 per share they will be entitled to exchange their stock for an equivalent number of shares of the new stock of the merged operating company (to be issued with the same number of shares as the holding company has, and all owned initially by the latter). The holding company stock thus received would be canceled, and the subscription money used to pay off a pro rata proportion of the debts. However, since all the stockholders will not avail themselves of the offer (for tax or other reasons), the remaining debts would have to be retired out of future dividend income from remaining shares of the operating company stock.

This might take about five to seven years to effect, and it seems a little doubtful whether the SEC may agree to this long extension of life for the holding company. However, such an objection might be met by an amendment which would provide for acceleration of the plan under favorable market conditions—i. e., public offering of the balance of the shares of the operating company.

The plan provides that debentures will be acceptable at face value in amounts up to $4 per share toward payment of the $7.50 subscription price for the new stock. After the bank loan has been paid off, however, debentures will be accepted in lieu of cash for the entire $7.50. The exchange offer will be continued indefinitely, but the initial specified consideration of $7.50 will be adjusted in each subsequent calendar quarter to an amount per share determined by dividing the number of outstanding shares of common stock of Niagara Hudson into the debt and outstanding debentures of Niagara Hudson. Thus while holders of the present Niagara stock would receive no income, their subscription price to obtain operating stock would shrink quarterly, and eventually they would get the stock "free." Wealthy holders would benefit tax-wise by foregoing current income and obtaining the the increment of value as a capital gain. Moreover, the holding company would have to pay an annual tax of only 5.7% on the dividend income.

After finally retiring all debts, Niagara would distribute to stockholders its remaining holdings of the operating company stock, transfer its cash and miscellaneous assets to the operating company, and dissolve.

Niagara Hudson Power in 1946 earned $1.37 a share, but rising costs and drought conditions reduced earnings for the 12 months ended March 31, 1948, to $1.10. With better hydro-electric operations and the eventual benefits of the construction program, earnings are expected to improve, and there should be a considerable saving in system overhead for both the merged operating company and the holding company. While the former benefits may be "given away" in a rate cut (proposed in 1947) the additional saving in holding company overhead should be fairly substantial. The holding company received dividends from subsidiaries of over $14,000,000 in 1947, and after paying its own overhead and preferred dividend requirements retained some $9,900,000 (about $1.04 on the 9,581,000 shares outstanding). It is estimated that future earnings of the operating company should approximate at least $1.60 a share, and might range as high as $1.75. Dividends of $1.20-$1.40 might therefore be envisaged, depending on the range of the earnings and the liberality of the pay-out.

On a theoretical "when issued" basis the stock of the new operating company would cost about $17.50 ($10 current market price for the holding company stock, plus $7.50). The conjectural dividend rates of $1.20-$1.40 would afford yields ranging around 7%-8% on this price.

R. L. Day & Co. Issues Annuals on Legals

R. L. Day & Co. has released its annual legal booklets on Legal Investments for Savings Banks in Massachusetts and in Connecticut. Revised to June 1 and April 1, respectively, these booklets list the United States Treasury, municipal, public utility, railroad and industrial bonds now legal, together with pertinent statistics relative to each company and each issue listed.

Copies may be obtained at the office of R. L. Day & Co., 14 Wall Street.

Now Emerson, Roche Co.

AUSTIN, TEX.—The firm name of Emerson, Roche & Dunn has been changed to Emerson, Roche & Company. Partners are Everett S. Emerson and David T. Roche. Offices are maintained in the Capital National Bank Building in Austin, and in the South Texas Building in San Antonio, the latter office being in charge of Mr. Emerson.

Reports Gross Savings and Loan Receipts Topped $1 Billion in First Quarter of 1948

Robert M. Smith, President of U. S. Savings and Loan League, says it is peak of any three months period.

Gross savings receipts of the nation's savings and loan associations exceeded $1,000,000,000 during the first quarter of 1948, the United States Savings and Loan League reported on June 19.

According to Ralph M. Smith, West Somerville, Mass., League President, this is the first time in the 137-year history of these savings institutions that the billion-dollar mark has been surpassed in the three-month period ending March 31.

Col. Ralph M. Smith

The figures released by Smith show that savings placed in savings institutions totalled $1,030,000,000 in the first three months of 1948 as compared to $917,000,000 for the corresponding period in 1947.

The continued rise of the cost of living and the much greater availability of consumer goods were reflected by withdrawals of $754,000,000 during the same period. The resulting net receipts of $276,000 000 were second only to 1947's record $310,000,000.

"Many families who have been saving to buy new homes, automobiles, refrigerators and other durable goods were able to draw upon their savings to make these purchases during January, February and March," the League President said.

Mr. Smith attributed the record savings activity to full employment and continued high salary and wage payments. He stressed the need for a continued high inflow of savings in thrift institutions and asserted:

"Money set aside in savings today reduces present inflationary pressures and provides the funds necessary to finance the current record-breaking program of home construction."

Reports Building Contracts at Record

F. W. Dodge Corporation reveals May construction east of Rockies at highest peacetime value for any single month.

F. W. Dodge Corporation reveals that May construction contracts in the 37 states east of the Rocky Mountains established the highest peacetime dollar volume ever recorded in a single month.

The fact-finding organization for the building industry reported that May's total of $970,789,000 was exceeded only once before, and that was June, 1942, when war construction was at its peak. The record monthly total in the 37 states set six years ago was $1,190,264,000, and was comprised principally of heavy engineering and industrial building projects.

The near-billion total last month was 44% greater than that reported for May of last year, and was 11% higher than the total for April of this year.

All major classifications of construction shared in last month's advance over April and over May of last year, with the most pronounced gains being in nonresidential building.

The cumulative total of $3,831,607,000 for 1948 to date is 33% higher than that reported for the first five months of last year, the Dodge records show.

Nonresidential contracts advanced 56%, residential contracts gained 17%, and heavy engineering awards were up 29% over the corresponding five months of last year.

Only one of the fifteen Dodge reporting districts covering the 37 states showed a decline from the five-months total of last year, that being southwestern Ohio and Kentucky, where the loss was 8%. Gains ranging from 4% in New England to 88% in upstate New York were reported for the other fourteen reporting districts in the first five months.

Projects classified as publicly owned accounted for 31% of the dollar volume of last month's contracts and 30% of the five-month total for this year.

Two With J. W. Goldsbury

(Special to *The Financial Chronicle*)

MINNEAPOLIS, MINN. — Tom B. Lahne and Richard G. Mabey have joined the staff of J. W. Goldsbury Co., Twin City Federal Building.

State Bond & Mtg. Co. Add

(Special to *The Financial Chronicle*)

NEW ULM, MINN.—Robert H. Fancher is with the State Bond & Mortgage Co., 26½ North Minnesota Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Graham B. Blaine and Lawrence C. Marshall, Vice-Presidents of the **Bank of Manhattan Company of New York** were elected on June 25 members of the Board of Directors of the Bank.


Graham B. Blaine L. C. Marshall

* * *

Benjamin Strong, President of **the United States Trust Company of New York**, announced on June 25 the election of Alexander Standish to the Board of Trustees. Mr. Standish is a partner of the firm of J. H. Whitney & Co., and a director of National Research Corp., Spencer Chemical Co. and Vacuum Foods Corp.

Alexander Standish

* * *

Promotions of five officers of **the Chase National Bank of New York** to positions of higher rank and the appointment of seven clerical employees to the official staff, all effective July 1, was announced by the bank on June 28. Promoted officers were: Lowell E. Ullery, to Vice-President in the Petroleum Department; David Rockefeller, to Second Vice-President in the Foreign Department; Jesse F. Skelton, to Second Vice-President at Rockefeller Center Branch; Robert Wetzler, to Second Vice-President at 73rd Street Branch, and Reginald P. Russell, to Assistant Cashier in the Credit Department. Newly-appointed officers were: Joseph L. Kelly, Custody Officer, Trust Department; Leonor F. Loree II, Assistant Cashier in the bank's far-Western district, and the following assistant managers at New York City branches: Frank J. Dowd, 42nd Street; Winfield F. Hanrahan, 57th Street; Ira O. Smale, Rockefeller Center, and Stanley B. Smith and Clinton B. Thomas, Times Square.

Lowell E. Ullery

Leroy A. Wilson, President of the American Telephone & Telegraph Co., was elected a member of the board of directors of the Chase National Bank on June 23, it was announced by Winthrop W. Aldrich, Chairman of the Chase board. Mr. Wilson, who in February of this year at the age of 47 attained the Presidency of the world's largest corporation, has been associaed with the Bell system all of his business career. In 1922, upon graduation from Rose Polytechnic Institute at Terre Haute, Ind., where he was born, he joined the Indiana Bell Telephone Co. as a traffic clerk. After varied experience he was transferred to the parent company in New York in 1929 in the department of operations and engineering. He was appointed a Vice-President in 1944 and Financial Vice-President in 1946.

* * *

Henry C. Taylor, President of Taylor, Pinkham & Co., Inc., commission merchants, was elected a trustee of the **Greenwich Savings Bank of New York**, at a recent meeting of the board of trustees, it was nounced by Earl Harkness, President. Mr. Taylor is a director of City Bank Farmers Trust Co.; Continental Insurance Co.; Southern Bleachery & Print Works, Inc. and Utica & Mohawk Cotton Mills, Inc. He is Vice-President and a director of Burrwood Corp., New York.

Henry C. Taylor

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York**, held on June 29, Frederick B. Rentschler was elected a director. He is a brother of the late Gordon S. Rentschler and is Chairman of the United Aircraft Corp. of Hartford, Conn. Mr. Rentschler was born in Hamilton, Ohio and like his brother, is a Princeton graduate. He founded the Pratt & Whitney Aircraft Co. in 1925 and when that company was merged with other aircraft corporations as the United Aircraft and Transport Company in 1928, he was elected President. In 1934 he became chairman of the reorganized United Aircraft Corp. He was a captain in the Army Air Corps in World War I.

* * *

Trust Company of North America of New York announces that the vaults of its subsidiary, **Trinity Safe Deposit Company,** are now open for inspection at 115 Broadway. Entrance to the vaults is through the main lobby of Trust Company of North America, which now occupies the main floor and basement.

* * *

John W. Gorman of the 39th Street Office and Randolph D. Sites of the Foreign Department of the **Manufacturers Trust Company of New York** have been elevated in rank from Assistant Secretary to Assistant Vice-President, it is announced by Harvey D. Gibson, President. Mr. Gorman began his banking career in 1919 with the old New York Produce Exchange Bank. Through a series of mergers he entered the Manufacturers Trust Company in 1937. He has been with the bank's 39th Street office at 530 Seventh Avenue since 1941. Mr. Gorman is also a member of the Bronx County Grand Jurors Association. Mr. Sites has been with the bank since 1926, prior to which he was with the Bankers Trust Company. His entire service has been in the Foreign Department, where he distinguished himself as the author of the "Exporters' Handbook," which is used throughout the world in export and banking circles.

* * *

A 97-year-old savings account will be honored by the **Union Square Savings Bank of New York** on July 1, when the bank formally marks the 100th Anniversary of its opening on July 1, 1848. The account, which was opened on Feb. 13, 1851 and is the oldest on the Bank records, is that of Harmony Lodge No. 199, F. and A. M., Manhattan. At a celebration in the Bank lobby R. H. Brownell, President of the Bank, will present a $100 United States Savings Bond to Karl Schwarz, Grand Master, who will accept it in behalf of the Lodge. Mr. Brownell will also present $100 Bonds to the holders of two of the Bank's oldest individual accounts. They are Patrick Mallon, of Manhattan, and R. L. Goldsborough, of Dongan Hills, S. I., who have been saving at Union Square for 56 and 55 years respectively.

* * *

Bernard A. Burger, Vice-President and Investment Officer of the **South Brooklyn Savings Bank of Brooklyn, N. Y.,** died on June 21. Mr. Burger, who was 77 years of age, had been identified with the bank for 58 years. The Brooklyn "Eagle" notes that in June, 1922, Mr. Burger was elected Vice-President and Secretary, and in 1931 was elected Vice-President and Treasurer. He was advanced to the post of Investment Officer a year ago.

* * *

A branch of the **Lafayette National Bank of Brooklyn, N. Y.** was opened on June 16 in the Bay Ridge section at 465 86th Street. Walter Jeffreys Carlin is President of the Lafayette National. Harry D. Papenmeyer is Branch Manager.

* * *

Through the Sale of $100,000 of new stock, the **Union National Bank of Troy, N. Y.,** has increased its capital from $400,000 to $500,000, effective June 8.

* * *

The Syracuse Trust Company of Syracuse, N. Y., has absorbed the **First National Bank of Tully, New York.** With its absorption the bank is operated as a branch by the Syracuse Trust. The bank has a capital of $60,000. It was taken over by the trust company as of June 14.

* * *

At a meeting of the board of directors of the **State Street Trust Company of Boston** held June 21, T. Edward Kellar of West Newton was promoted to Vice-President from Assistant Vice-President.

* * *

According to the Boston "Herald" of June 11, Joseph F. Burke has been elected Vice-President and Joseph D. Driscoll has been elected Cashier of the **Somerville National Bank of Somerville, Mass.** Mr. Burke, formerly Cashier, has been associated with the bank for of which, this year, noted in our 32 years. Mr. Driscoll, previously an Assistant Cashier, has been with the institution for 27 years.

* * *

Raymond B. Cox, President of the **Webster and Atlas National Bank of Boston, Mass.,** died on June 27. Mr. Cox, who was 64 years of age, was a former President of the American Institute of Banking. Born in Easton, Md., he began his banking career in 1902 as a clerk in the Manufacturers National Bank of Baltimore, which was later absorbed by the First National Bank of Baltimore. The Boston "Herald" of June 27 also said: "He later became Auditor and then transit manager of the bank and in 1912 joined the Fourth National Bank of New York as Assistant Cashier and later became a Vice-President. He was elected President of the Webster and Atlas bank in 1920.

* * *

William Webster, President of the Narragansett Electric Co. and the United Electric Railways Co., on June 8 was elected a director of the **Rhode Island Hospital Trust Co.** at a meeting of its board of directors, according to the Providence "Journal" of June 9.

* * *

At the annual meeting on June 16 of the Society for Savings of Hartford, Conn., Robert C. Glazier, President, was advanced to the office of Chairman of the Board, while Charles J. Lyon, who has been Vice-President and Treasurer was elected to succeed Mr. Glazier as President. The Hartford "Courant" of June 17 reporting this, also said: "Albert J. Marks, Senior Partner of the firm of Gilman & Marks, was elected a member of the board of trustees filling the vacancy caused by the death of his brother, Henry J. Marks, who had been a trustee of the Society since 1938.

"Another promotion was the appointment of Fred R. Stickels as Assistant Treasurer.

Mr. Glazier, who became President of the bank 21 years ago, has served as President of the National Association of Mutual Savings Banks, and Chairman of many of its important committees. Mr. Lyon, the newly elected President of the bank, became associated with the Society on Nov. 1, 1945, after occupying the position of Executive Vice-President of the Savings Banks Deposit Guaranty Fund of Connecticut Inc. with which he was connected for four years.

* * *

The resignation of Jules Endler as Vice-President and director of the **Union National Bank of Newark, N. J.** was made known on June 18. Mr. Endler, it is indicated, resigned because of pressure of out-of-town business. The Newark "Evening News" reports that his stock in the bank was acquired by Frank L. King, South Orange insurance man, who succeeds him on the board. Mr. King also was named to the Executive Committee.

* * *

Approval on June 18 of the directors of both institutions, of plans whereby the **Provident Trust Company of Philadelphia** will purchase the assets and assume the deposit liabilities of the **Northern Trust Co.** of that city were announced by William R. K. Mitchell, President of the Provident, and William C. Harter, President of the Northern Trust Co. The Philadelphia "Inquirer" of June 19 in indicating this stated that the purchase price will be $4,600,000, equivalent to $920 a share, or the book value, for Northern Trust stock, less costs incident to liquidation. As given in the "Inquirer" the joint announcement said in part:

The plan, which is subject to the approval of bank supervisory authorities, and the stockholders of both institutions, provides for the continuance of the present banking office at Sixth and Spring Garden Streets as the Northern Trust branch of the Provident Trust Co. This office will be staffed by the present officers and employees of Northern Trust Co. and it is proposed that Mr. Harter will become a Vice-President and director of Provident Trust Co.

It is stated that the purchase will give Provident Trust assets of more than $146,000,000 and deposits exceeding $124,000,000. As of Dec. 31, Provident reported assets of $114,395,407 and deposits of $97,531,413, while Northern Trust showed assets of $31,782,247 and deposits of $27,160,431.

* * *

H. E. Deily, Vice-President and Cashier of the **Tradesmens National Bank and Trust Co. of Philadelphia,** announced on June 28 the election of Joseph B. Roberts as Vice-President of the institution. Mr. Roberts was formerly Assistant Vice-President.

* * *

W. W. Dalamater has been appointed Assistant Vice-President of the **Land Title Bank and Trust Company of Philadelphia** in charge of advertising, publicity and public relations.

* * *

The election of Arthur T. Ibbotson, Jr., as a Vice-President by the Board of Managers of the **Western Saving Fund Society of Philadelphia,** was announced on June 28 by P. Blair Lee, President of the Society. At the same time Mr. Lee announced the appointment of Frank W. Kline to succeed Mr. Ibbotson as Auditor. Mr. Ibbotson, a Navy veteran of World War II, joined Western Saving Fund as a clerk in November, 1925. He became Supervisor of the Accounting Department in 1935 and six years later was appointed Auditor. As a Vice-President of the Society he will be responsible for employee training, coordination of banking methods and procedures, and over-the-counter relations between the Society and its depositors. Mr. Kline entered the Society's employ in March, 1935, as a clerk in the Accounting Department and was transferred to the Auditing Department Jan. 1, 1941, where he was Acting Auditor during Mr. Ibbotson's service with the Navy.

* * *

The retirement of Joseph A. Wherrett as Corporate Trust Officer of the **Maryland Trust Company of Baltimore, Md.,** was announced recently. Ill health, it is stated, prompted Mr. Wherrett's decision to retire, after nearly 42 years of service. The Baltimore "Sun" stated that he became associated with the Continental Trust Company early in 1907 and became associated with the Maryland Trust when the business of the two institutions was merged in 1930.

Mr. Wherrett's duties as corporate trust officer have been taken over by Robert S. Middleton.

* * *

The South Richmond Branch of **The Bank of Virginia, Richmond, Va.** was opened formally to the public on June 15. A program of recorded music and television was a feature of the day, and souvenirs were given to callers. Hartwell F. Taylor, Assistant Vice-President of the Richmond office of The Bank of Virginia, who has had wide experience in various departments of the bank for the past 15 years, is in charge of the new office, assisted by Clyde E. Harris.

* * *

The Fifth Avenue Savings Bank Company of Columbus, Ohio was merged on June 9 into **The Ohio National Bank of Columbus,** under the title and charter of the latter institution, according to an announcement by the Board of Governors of the Federal Reserve System. In connection with the merger a branch was established by the Ohio National Bank in the former location of The Fifth Avenue Savings Bank Company.

* * *

An increase of $500,000 in the capital of the **Central National Bank in Chicago, at Chicago, Ill.,** raising it from $800,000 to $1,300,000 is reported by the Office of the Comptroller of the Currency. The increased capital, brought about through the sale of new stock, became effective June 7.

* * *

Norman N. Feltes, Vice-President of the **Harris Trust and Savings Bank of Chicago, Ill.,** died June 20 in Evanston Hospital at the age of 44. A graduate of Notre Dame University and Harvard University Business School, he joined the bank as a clerk in 1927. He was elected a Vice-President in 1944.

* * *

G. Lyle Fischer, Second Vice-President of **The Northern Trust Company of Chicago,** died sud-

denly on June 21, from a heart attack in his home in Glencoe. He was 50 years old. Mr. Fischer was born at Kewanee, Ill., on August 23, 1897. He was graduated from the Kewanee High School in 1915 and from Harvard in 1920. Before joining the **Northern Trust Co.** in October, 1932, he served five years as Assistant Cashier in the Savings Bank of Kewanee and for five years as Assistant Vice-President in the Central Republic Savings and Trust Co. in Chicago.

* * *

Ratification by the respective stockholders on June 18 of the proposed consolidation of the **Industrial National Bank of Chicago** and the **Chicago Terminal National Bank** was reported in the Chicago "Journal of Commerce" of June 19 in an account of the plans by Harry Adams, from which advices we quote in part:

"The physical merger will be accomplished July 6, and the new institution will be known as the **Chicago National Bank.**

"Lester Armour, former Senior Vice-President of the City National Bank & Trust Co., was named Chairman of the board of the consolidated bank. Robert D. Mathias, formerly President of the Old National Bank in Evansville, Ind., was elected President. Frank G. Anger, President of the Industrial National, and Charles R. McEldowney, Executive Vice-President of the Chicago Terminal, will be Administrative Vice-Presidents. All other officers of the Industrial National and Chicago Terminal will become officials of the Chicago National. The Chicago National will occupy the quarters of the Chicago Terminal at 120 S. La Salle Street. The consolidated bank will have total resources of more than \$60,000,000, and capital, surplus, undivided profits, and reserves in excess of \$5,250,000. The latter includes 50,000 shares of 4½% \$30 par cumulative preferred stock and 105,000 shares of \$16.57 par common.

"Joseph E. Otis, incumbent Chairman of Industrial National, was named Honorary Chairman of the new Chicago National."

* * *

Kenneth R. Wells has been promoted to Vice-President of the **American National Bank and Trust Company of Chicago,** it was stated in the Chicago "Tribune" of June 16, which added that he had been Assistant Vice-President in charge of the industrial division. Mr. Wells has been associated with the bank since 1939.

* * *

At a special meeting on July 14 the stockholders of the **Detroit Bank of Detroit, Mich.,** will act on a proposal to increase the common stock by 50,000 shares, at \$20 par, according to Clifford H. Hyett, Vice-President. The Detroit "Free Press" of June 25 stated:

"The directors' proposal calls for issuance of the new shares to stockholders on the basis of two for each seven shares held on July 14. Approval also will be asked for sale of all unsubscribed shares to underwriters at the offering price to shareholders."

The present common capital of the bank is \$3,500,000, while its preferred stock stands at \$3,370,000.

* * *

Effective June 16, the **Midway National Bank of St. Paul, Minn.,** increased its capital from \$250,000 to \$310,000 through the sale of \$60,000 of new stock.

* * *

Effective June 10, the capital of the **Oklahoma National Bank of Oklahoma City, Okla.,** was increased from \$100,000 to \$150,000, the enlarged capital having resulted from the sale of \$50,000 of new stock.

* * *

The Mercantile-Commerce Bank and Trust Company of St. Louis recently announced the appointment of John B. Mitchell as Assistant Vice-President. Mr. Mitchell has been associated with the bank since 1936. He is a graduate of St. Louis University and during the war served for three years as an officer in the United States Coast Guard.

* * *

The Board of Governors of the Federal Reserve System has appointed Smith Broadbent Jr. of Cadiz, Ky., as a director of the **Louisville Branch** of the **Federal Reserve Bank of St. Louis.** Mr. Broadbent, a farmer, succeeds Rosco Stone of Hickman, Ky., resigned.

* * *

John A. Boardman, First Vice-President of the **First National Bank in Palm Beach, Florida** announced on June 16 that, commencing with the bank's July dividend, future checks would be mailed quarterly, namely; Oct. 1, Jan. 1, April 1, and July 1. The June dividend of 12 cents per share will be mailed on July 1, as usual. The dividend rate remains unchanged. The new basis of payment will amount to 36 cents per share quarterly. This change, says the bank, had been suggested by a number of shareholders.

* * *

Appointment of Nelson W. Monfort as Vice-President of **Bank of America, N. T. & S. A., of Los Angeles,** international banking department, was announced on June 10 by L. M. Giannini, President. Mr. Monfort, said the Los Angeles "Times," will represent the bank on the Continent, according to Russell G. Smith, Executive Vice-President in charge of international banking activities.

* * *

Three new officers have been added to the executive staff at the head office of the **Anglo California National Bank of San Francisco,** it was announced on June 21 by Allard A. Calkins, President. O. J. Faulkner has been appointed Vice - President and branch office co-ordinator, Louis B. Everett, Assistant Vice-President, and Leonard S. Berry, Assistant Cashier. From 1930 to 1947, Mr. Faulkner held official positions with the Federal Land Bank of Berkeley and was Vice-President when he left that bank to accept the position of branch office co-ordinator with Anglo Bank. He has served in both World Wars. He is a member of the Commission on Agriculture of the California Bankers Association. Mr. Everett was born in Texas. Prior to his joining the Anglo Bank staff in 1947, he was an engineer with the Richfield Oil Corp. and the Texas Co. He will continue in his present capacity as manager of the bank properties department and will devote himself largely to construction and property management matters. He served as an officer of the U. S. Marine Corps during both World Wars. He is a member of the San Francisco Chamber of Commerce and other organizations. Mr. Berry was born in Los Angeles. He has been a member of the Anglo Bank staff for the past 19 years. Previously manager of the bank's accrual accounting department, he is presently chief accountant. During the war he served with the 84th Division and the Army Medical Corps. He is a graduate of the American Institute of Banking and a member of the National Association of Bank Auditors and Comptrollers.

* * *

H. D. Ivey, President of the **Citizens National Trust & Savings Bank of Los Angeles,** announced on June 24 that Lauder W. Hodges, former Executive Manager of the California Bankers Association, had become associated with Citizens National Bank and has been assigned to the operating department. Mr. Hodges, from 1936 to 1946 Executive Manager of California Bankers Association, has maintained law offices in Los Angeles for the past two years and has acted as counsel to the California Bankers Association's Committee on Revision of the California Bank Act. Prior to 1936 he was an attorney on the staff of the Federal Reserve Bank of San Francisco, associated with the law firm of Satterlee & Canfield, New York, and on the staff of the National Bank of Commerce, New York.

* * *

Edmund L. MacDonald, President of Cunard & Co., Ltd., Halifax, N. S., has been elected a director of **The Canadian Bank of Commerce** head office, **Toronto.** Mr. MacDonald is also President of the Atlantic Utilities, Ltd.; President of General Trust & Executor Corp.; Vice-President and director of Maritime Telegraph & Telephone Co.; Vice-President of Industrial Shipping Co., Ltd.; and Vice-President of Telephone Company of Prince Edward Island.

Reports Decline in 1947 Net Earnings of State-Chartered Banks

Elwood M. Brooks, President of the state bank division of the American Bankers Association, reported on June 28 that the combined operating earnings of the 9,002 state-chartered commercial banks in the United States amounted to \$1,421,947,000 in 1947, a gain of 8.6% over the preceding year. Despite this increase in gross earnings these same banks showed a decline of 15% in net income.


Elwood M. Brooks

The decline in net earnings for 1947 amounted to \$61,070,000 to a total of \$349,353,000, but the banks still earned sufficient net to meet all dividend requirements and to increase substantially their capital structure. Dividend declarations totaled \$137,411,000, while \$211,942,000 or about 61% of net earnings were added to capital account.

Rollins Group Offers Southern Union Pfd.

A new issue of 25,000 shares of Southern Union Gas Co. 5% cumulative preferred stock was publicly offered on June 28 at par (\$100 per share), plus accrued dividends from June 15, by an underwriting group headed by E. H. Rollins & Sons, Inc. Also participating in the offering were A. C. Allyn & Co., Inc.; Rauscher, Pierce & Co., Inc.; W. C. Gibson & Co.; Coffin & Burr, Inc.; First Southwest Co.; and Fridley & Hess.

The net proceeds from this financing will be applied by the company to repay bank loans incurred to defray expenditures for construction, and the balance will be added to general working funds and used, together with other funds, to finance further expenditures for construction.

The company presently plans to spend about \$4,600,000 for plant additions and betterments during 1948 and the first six months of 1949. During the first quarter of this year gross expenditures for plant and equipment, including work in progress, approximated \$422,000, and on March 31, 1948 the company had outstanding commitments of some \$2,700,000.

John Thompson Opens

(Special to *The Financial Chronicle*)

ELKHART, IND. — John W. Thompson is engaging in an investment business from offices in the Monger Building.

Mercantile-Commerce Bank & Trust Company of St. Louis Celebrates Opening of New Wing

Gale F. Johnston, President of 92-year-old institution, expresses confidence in future prosperity of Southwest.

On June 15, the Mercantile-Commerce Bank & Trust Company of St. Louis, which began business 92 years ago, dedicated the opening of a new wing to its building, representing an investment of over one million dollars. In the ceremonies, which were broadcast over Radio Station KSD of St. Louis, Mr. W. L. Hemingway, Chairman of the Bank's Board of Directors, Mr. Eugene J. Mudd, the Executive Vice-President, and Mr. Gale F. Johnston, the present President, made appropriate remarks suitable to the occasion.


Gale F. Johnston

Mr. Johnston, who has been President of the Bank since February, 1947, after hearing Mr. Hemingway speak of the bank's past, expressed confidence in its continued prosperity.

"It is my feeling," said Mr. Johnston, "that the future is even more glorious than the past. I do believe that St. Louis and the great Southwest, which this institution has been serving for almost 92 years, has a more glorious opportunity to grow, prosper and develop in the years to come than in the years that have gone by. We have been proud of the part this institution has played in the development of this part of the country. Now we believe with new developments in the world on the political, economic and spiritual front, that the great Southwest with St. Louis in its center will be even stronger, and finer to do its part in the years that will come. Therefore I am very proud to be connected with an institution which looks forward, which enlarges its quarters, which believes that America and this part of the country in particular will be stronger and finer in the years to come. It is my hope to be a part of that organization during the years that will see greatness developed here in St. Louis, that will see growth continued, that will see our citizens prosper. As the community prospers, we know that our bank will be stronger and finer. We are putting ourselves in position to serve the great mass of people in this fine community in which we live."

In order to meet its growing business, the Mercantile-Commerce Bank purchased the seven-story building fronting on **7th** Street and St. Charles Street, **St.** Louis. This building, completely remodeled, was opened for business on June 5 for the first time. Like the main bank building which occupies the adjoining half block on 8th Street, this new wing is completely air-conditioned.

The floor space of the bank's quarters is nearly doubled, and in this new building alone the main banking floor has 14 tellers' cages, and the St. Charles Street entrance opens directly into the Personal Loan Department. The Bond and Corporate Trust departments occupy the second floor, while the third, fourth and fifth floors are given over to general banking operations. This includes the clearing and accounting involved in the handling of well over a half million checks weekly.

Permanente Metals Stk. Offered by First Boston and Others

The First Boston Corp. and Dean, Witter & Co. were the principal underwriters in a nation-wide group of 43 investment banking firms which on June 30 publicly offered 600,000 shares of capital stock (par \$1) of The Permanente Metals Corp. at \$15 per share. The net proceeds will be used to augment working capital.

The Permanente corporation, organized in 1940 as Todd-California Shipbuilding Corp., is engaged in the business of producing and fabricating aluminum. The company prior to June of 1946 was engaged in war work, principally shipbuilding and magnesium production. It operates four major plants in the United States, three of which are leased from the government. An alumina plant is located at Baton Rouge, La., reduction plants at Tacoma and Mead, Wash., and a rolling plant near Spokane, Wash.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is showing signs of regaining its equilibrium, after a downside spiral that took prices in some instances back to the pegged levels that were set last Christmas Eve. . . . This sharp, but not too voluminous, decline was caused by the confusion and uncertainty that developed from the surprise offering by the Treasury of non-marketable bonds. . . . Although this price recession has been considered largely a "professional affair" because of the marking down of quotations without a corresponding pick-up in volume, there was no real buying interest in the market until assurances were forthcoming that the "pegs" were still there. . . . Yields and income which used to be yardsticks in making purchases of Treasury obligations have now given way to fears of dropping prices, which nearly all segments of the market seem to believe only the monetary authorities are capable of stopping. . . .

UNPALATABLE

This bad psychology prevailing in the government market seems to be the result of a not too well planned method of financing, along with the apparent disagreement among the monetary authorities as to whether interest rates should be allowed to increase or not. . . . Also investors as a whole do not take too kindly to non-marketable government obligations despite the fact that they have made and will no doubt continue to make other non-marketable loans and investments that are not comparable in quality to the non-marketable government securities. . . .

However, when it comes to buying Treasury obligations it seems as though institutional investors want them marketable so that they can see what they are doing price-wise on a moment's notice. . . . There is no doubt that most investors and traders are too price-conscious to go for non-marketable Treasury obligations in a big way, yet. . . .

PRICE-MINDED

On the other hand, this price-consciousness also has its limitations since it tends to create unrealistic situations in the government market. . . . When quotations are advancing there are very few sellers because there is the feeling that there is no top to prices. . . . Just the opposite prevails when quotations are declining, and there are virtually no buyers outside of the monetary authorities, because the opinion is that there is no bottom until Federal sets it. . . . After what happened last year when the first pegs were dropped, buyers of Treasury obligations are more skeptical than ever in a receding market. . . .

This explains the recent action of governments on the down side, since buyers were not interested until they were sure Federal was ready to take unlimited amounts of bonds at previous support level. . . . Federal was ready as price touched pegged levels and then traders and investors took the market away from the authorities on the up side. . . . Because investors are so price-minded it seems as though the authorities should give this force more consideration in their operations in the money markets. . . .

FUTURE? ? ?

What is the outlook for the government market, now, after the down trend seems to have been stemmed? . . . Looking as it purely from the short-range standpoint, which seems to be what many holders and buyers of Treasuries are inclined to do, some further advances on not too much activity followed by a leveling off, are anticipated during the balance of the summer. . . .

Minor irregularity that could develop in the next two weeks, when the Savings Bond campaign is on with institutional investors, should bring buyers into the market. . . . Higher short-term rates are looked for in the fall, with a certificate rate of 1¼% still expected in the not distant future. . . . Large banks will continue to shorten maturities, as the opportunity presents itself. . . . The partially-exempts are attractive to banks in the metropolitan area. . . .

A change in political alignments in the fall is not expected to cause any important developments in money rates, but it is conducive to waiting-let's-see-what-happens attitude. . . .

SIDELINES

Insurance companies as a whole are on the sidelines, although selling of Treasuries is still expected as corporate investments are taken on by these institutions. . . . Money seems to be tight with these concerns and policy loans continue on the incline. . . . Savings banks have been fairly active in a dull market, with purchases on the up side exceeding somewhat those made on the way down. . . . The ineligibles have been the favored issues. . . .

Despite the lack of institutional buyers in the recent decline a better technical position which is now in evidence is bringing in some rather sizable inquiries for the taps, the partially-exempts and ineligible taxables, but these deals will not be consummated until buyers are sure offerings are there in volume. . . .

NOTES

The old argument about non-marketables versus marketable issues goes on unabated, with short-term buyers definitely not interested in the Savings Bonds because of the better return available in the marketable obligations. . . . The nearer-term redemption values of the Savings Bonds makes the longer certificates and the 2s due through 1952/54 look rather attractive. . . . Longer-term buyers of Treasuries, especially those in the smaller banks, are buying their limits mainly in the "G" bonds. . . . Institutional subscriptions, according to reports, will also be heaviest in these same bonds.

Stephenson, Leydecker Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—Graves D Hudson has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Rachford Harris is now with Leo Schoenbrun, 1373 Westwood Boulevard. He was previously with John B. Dunbar & Co.

Wall Streeters Honored For Work in Greater N. Y. Fund Campaign

Amyas Ames, partner, Kidder, Peabody & Co.; Sydney P. Bradshaw, partner, Montgomery, Scott & Co., and Philip Carret, Gammack & Co., President of the New York Security Dealers Association; were honored recently for

Amyas Ames

Philip L. Carret

outstanding work in the Greater New York Fund campaign, when they were presented with a citation for "meritorious service" to the Fund's 1948 appeal.

John Elliott, Vice-President, Scudder, Stevens & Clark, Inc.; Emerson Thors, Syndicate Manager, Kuhn, Loeb & Co., and Thomas R. Clark, Vice-President, the American Express Co., were also honored.

Mr. Ames and Mr. Bradshaw took an active part in the Fund's campaign and headed the committee which canvassed the Stock Exchange member firms and floor brokers. Mr. Carret headed the committee which canvassed the unlisted brokers.

Messrs. Elliott, Thors and Clark took an active part in the Fund's campaign and headed committees which canvassed investment advisors, bankers and trusts, respectively throughout Manhattan.

The Fund raised $5,011,462 during the six weeks of intensive city-wide solicitation. Solicitation committees are still at work to complete the comprehensive canvass of business concerns. Headquarters of the Fund are at 11 West 42nd Street.

The Fund seeks "business' share" of the over-all contributions required by 423 hospitals, hospitals, health and welfare agencies in New York City to maintain essential services.

The citations were presented by Henry C. Alexander, Vice-President of J. P. Morgan & Co. and the Fund's 1948 campaign chairman, in appreciation for their untiring efforts in behalf of the Fund's campaign.

Other prominent executives from Wall Street who have been active in the Fund's 1948 campaign include:

Frederick F. Alexandre, partner, Gude, Winmill & Co.; Reed P. Anthony, partner, Anthony Tucker & Co.; Harold L. Bache, partner, Bache & Co.; C. Everett Bacon, partner, Spencer, Trask & Co.; Van Vechten Burger, partner, Pershing & Co.; Everett Ware Cady, partner, Carl M. Loeb, Rhoades & Co.; Jacques Coe, senior partner, Jacques Coe & Co.; Henry W. Cohu, partner, Cohu & Torrey; John A. Coleman, partner, Adler, Coleman & Co.; Earle W. English, partner, Merrill Lynch, Pierce, Fenner and Beane; Walter M. Giblin, Hornblower & Weeks; M. Donald Grant, partner, Fahnestock & Co.; Charles D. Halsey, partner, Laird, Bissell & Meeds; Henry Harris, partner Harris, Upham & Co.; Frederic G. Hoppin, partner, Hoppin Bros. & Co.; Warner W. Kent, partner, Ingalls & Snyder; Joseph Klingenstein, partner, Wertheim & Co.; Thomas F. Lennon, partner, Delafield & Delafield; Walter B. Levering, partner, Carlisle & Jacquelin; Lewis Levine, partner, Sartorious & Co.; Charles Moran, Jr., partner, Francis I. du Pont & Co.; Lawrence McK. Miller, partner, E. F. Hutton & Co.; Charles L. Morse, Jr., partner, Hemphill, Noyes & Co.; Floyd W. Mundy, Jr., partner, James H. Oliphant & Co.; Carl H. Pforzheimer, Jr., partner, Carl H. Pforzheimer & Co.; Stuart R. Reed, partner, Paine, Webber, Jackson & Curtis; J. Gould Remick, partner, Stillman, Maynard & Co.; Junius A. Richards, partner, H. N. Whitney Goadby & Co.; Dudley D. Roberts, Jr., partner, Roberts & Co.; Stanley Roggenburg, Roggenburg & Co.; Chas. N. Schenck, Jr., partner, Mitchell, Hutchins & Co.; George J. Scully, partner, Eisele & King, Libaire, Stout & Co.; H. K. Smith, partner, Shearson, Hammill & Co.; Howard C. Smith, partner, De Coppet & Doremus; Jacob Stone, partner, Asiel & Co.; Gardner D. Stout, partner, Dominick & Dominick; Richard F. Teichgraeber, partner, Thomson & McKinnon and Ernest P. Megna, of Carl M. Loeb, Rhoades & Co.; Chester H. Tipton, Tipton Securities Corp.; J. Arthur Warner, J. Arthur Warner & Co.; and Lawrence Wren, Allen & Co.

Walter F. Blaine, partner, Goldman, Sachs & Co.; W. Rufus Brent, Syndicate Mgr., Eastman, Dillon & Co.; B. J. Buttenwieser, partner, Kuhn, Loeb & Co.; George K. Coggeshall, Vice-President, Schoellkopf, Hutton & Pomeroy, Inc.; Thomas T. Coxon, partner, Hallgarten & Co.; Enos Curtin, Vice-President, Blair & Co., Inc.; Richard de la Chapelle, Vice-President, Lee Higginson Corp.; Edward Glassmeyer, Jr., syndicate Mgr., Blyth & Co., Inc.; Herbert S. Hall, partner, Morgan Stanley & Co.; Paul F. Hay, partner, W. C. Langley & Co.; E. Jansen Hunt, partner, White, Weld & Co.; W. Fenton Johnston, Smith, Barney & Co.; Joseph Luden, Dillon, Read & Co.; Laurence M. Marks, partner, Laurence M. Marks & Co.; Miller H. Pontius, Vice-President, Eberstadt & Co., Inc.; David L. Skinner, Vice-President, Harriman Ripley & Co., Inc.; Rudolf Smutny, partner, Salomon Bros. & Hutzler; Frank M. Stanton, Vice-President, the First Boston Corp.; Joseph A. Thomas, partner, Lehman Bros.; H. Warren Wilson, Vice-President, Union Securities Corp.; Reddington Barrett, President, Barrett Associates, Inc.; Alden S. Bennett, partner, Dean Langmuir; Arnold Bernhard, President, Arnold Bernhard & Co., Inc.; Allen M. Bernstein, President, Bernstein-Macauley, Inc.; Harold Cherry, Vice-President, Lionel D. Edie & Co., Inc.; Charles Dobbrow, Vice-President, Templeton, Dobbrow & Vance, Inc.; L. W. Fisher, Vice-President, Van Strum & Towne, Inc.; Lloyd H. Langston, Treasurer, Standard & Poor's Corp; Allen L. Lindley, Vice-President, Douglas T. Johnston & Co., Inc.; William Pettit, partner, Karl D. Pettit & Co.; A. Vere Shaw, partner, A. Vere Shaw & Co.; Mallon Sheffield, Counsellor, Loomis Sayles & Co., Inc.; Bradford F. Story, partner, Brundage, Story & Rose; Henry Thielbar, partner, Naess & Cummings; John N. Trainer. of Trainer & Associates; Jabez Hall Wood, partner, Van Cleef, Jordan & Wood.

Gutt of International Monetary Funds Answers Some Questions

(Continued from first page)

out previously consulting the Fund. In the light of such developments the writer put to Camille Gutt, the Fund's Managing Director, five frank questions. The questions and Mr. Gutt's replies are as follows:

Fund Statutes Satisfactory

1. If at Bretton Woods in 1944 you could have peered this far into the future, would you have recommended that the Fund's establishment be postponed until some more propitious time? If not, what changes would you have urged in the Articles of Agreement as there drafted?

The question above means simply this: If everything else had been as it was, except for a clearer foreknowledge of the difficulties which have slowed down the economic recovery of the world, would it have been wise to postpone the creation of the Fund? And, if not, what amendments, if any, to the Agreement should have been pressed, as a result of this foreknowledge? The answer to the first question is probably, no, and to the second, none.

The rate of recovery has certainly been disappointing, and the time when the Fund can expect to operate "normally" in a "normal" world is further away than some people had hoped in 1944. Many of the forecasts of that time were indeed much more cautious and restrained than some current criticisms would now imply. There was obviously the greatest uncertainty, but whether things went well or ill, it was worthwhile taking the first steps to set up an instrument whose full usefulness could not be realized until the end of the "transitional period."

The first steps are inevitably perhaps slower than was generally realized in 1944, and the period that has already elapsed has been none too long for the evolution of an effective organization, for the gathering of information and the preparation of technical studies, and for the growth of satisfactory working relations with members, which cannot be created by formal statements or agreements, but have to grow naturally out of experience. The Fund is today well informed on conditions, problems and policies of member countries. It is in a position to discuss with them the measures necessary to deal with international financial problems. Probably no single country or other international organization has so complete a collection of facts and studies on current exchange and balance of payments problems as the Fund. If the creation of the Fund had been delayed, all this work would still have had to be done, and there is little reason to suppose that members in general would be readier to entrust wider powers to the Fund in 1948 or at some later date than they were in 1944.

The Fund has already been able to adapt itself with some effect to the peculiar conditions of the present time. It has not done as much as it would like to have done but its activities have not been seriously hampered by any defects in its Articles of Agreement.

The Fund and Members' Sovereignty

2. At the time of the Bretton Woods debate it was often stated by sceptics that, should it ever come to an impasse between the Fund and a member of major political importance, the Fund's wishes would have to give way to that member's. Does not the recent French defiance of the Fund bear out the contention just alluded to? Is the Fund effective only when dealing with members of lesser weight in international affairs at a time when such smaller members are seeking direct aid of one sort or another from the Fund's most powerful member?

The French episode is not yet ended, and any judgment upon it now should therefore be regarded

as quite provisional. It would obviously have been better for the Fund if the French had been willing to abide by its recommendations. But "defiance" is too strong a word to describe their attitude. A country which has "defied" the Fund does not thereafter continue to consult seriously with the Fund in regard to all the intricate issues which arise out of the decision which has been made. The French are desirous to maintain their association with the Fund, not with the idea of ultimately having the satisfaction of persuading or compelling the Fund to come around to their way of thinking, but in the belief that by so doing solutions may be hammered out for what all the parties concerned agree to be an unsatisfactory situation. I have myself kept a close and very friendly contact with the French Government.

The fact is that since France established its new exchange system despite the objection of the Fund, a number of changes have been found necessary in order to achieve the objectives that the French Government originally sought with its exchange measures. The changes affecting exchange transactions with the United States, Belgium, Italy and Switzerland have been aimed at reducing the discriminatory effects of the French exchange system and toward unifying it.

The French example does not show Fund members that they can do as they please; it shows rather that if they do as they please, they must put up with certain penalties, which, if not always an effective deterrent, are nevertheless highly disagreeable. The confidence of members in the integrity of the Fund may actually be increased by the Fund's decision to place itself in the position of stating clearly its objections to a member's policy, even when it knew that its objections would not for the time be wholly effective.

Without attempting to say that the Fund would be equally effective in presenting its views to its members if it did not have the financial resources to aid them, it is in fact clear that the views of the Fund have been given careful consideration and have been embodied in the policies of members that have not made use of the Fund's resources. Consultations between the Fund and several of its members have been of a major importance in securing important changes in policy designed to strengthen the monetary system, improve the balance of payments position, and to lead to a simpler and a more realistic rate of exchange. None of these countries has consulted the Fund solely for the purpose of obtaining aid from the Fund. They have, on the contrary, welcomed and even requested expression of the Fund's views, quite apart from any request for or expectation of financial assistance.

Gold at Premium Prices

3. Have not the Fund's efforts among its members to eliminate the premium-price traffic in gold disclosed complete or partial impotence in the Near East, Latin America, and even France? Did not Canada—in altering the form but not the effect of its recent gold-subsidy policy—in effect flout both the Fund and the United States, very much as France has done in the case of the franc?

In the view of the Fund, the acceptance of the initial par values places upon each member a responsibility to restrain transactions which undermine these par values. Furthermore, in the view of the Fund the conservation of gold resources for the settlement of international transactions is in the interest of its members and is an essential condition for the strengthening of their balance of payments. The export of gold for hoarding deprives the monetary authorities of the reserves necessary for strengthening their monetary systems and for use in settling international accounts.

These are the reasons why the Fund issued its statement to members on the elimination of external sales of gold at premium prices. The Fund has requested members to take the steps necessary to carry out their responsibility in this matter. In many countries important measures have been put into effect to assure that international gold transactions are not conducted at prices that undermine the agreed parity or violate the exchange regulations of other members. It is interesting to note that at least one nonmember country, Switzerland, has also taken measures along this line.

In making effective its recommendation the Fund must of necessity depend upon the action taken by its members. The United States and the United Kingdom have placed effective controls on any gold exports which would conflict with the Fund's policy. In the European countries, including France, which are members of the Fund, the monetary authorities have prevented transactions of this kind which in fact are also in violation of their own laws. In most other member countries such action as was believed necessary and practicable was also taken to comply with the Fund's recommendations.

This is not to deny that international gold traffic at premium prices continues although apparently on a reduced scale. Among some non-member countries, and in the Middle East and in the Far East, where regulation of gold trade is particularly difficult, some international gold transactions at premium prices continue despite the recommendation of the Fund. In the nature of things, no statistics of the volume of black market transactions exist. But the fact that black market prices of gold in Syria and in several places in the Far East have tended to rise in recent months would indicate that some of the sources of supply from which these markets have been fed are drying up and the Fund's recommendation has, therefore, not been ineffective.

It should be made clear that the Fund has not issued a recommendation on the elimination of domestic markets in gold at premium prices. Indeed, in some places where such markets exist, they have been put into effect without objection by the Fund.

The Fund Agreement does not forbid all subsidies for gold production. These may take numerous forms, and in one or another form they may be found in many gold producing countries. What the Fund Agreement does forbid is a subsidy in the form of a rise in the price of gold because such a subsidy casts doubt on the agreed parity and tends to undermine the stability of the parity.

Before putting its gold-subsidy policy into operation, Canada consulted with the Fund, and when the Fund raised certain objections, Canada made significant changes in its original proposal, which made it possible for the Fund to determine that in the present circumstances the revised Canadian proposal was not inconsistent with the general policy stated by the Fund. A subsidy in the form of a uniform payment per ounce for all or part of the gold produced would constitute an increase in price and therefore would not be permissible. The subsidy now operating is, however, dependent upon cost conditions and therefore does not constitute an increase in the price of gold.

Multiple Exchange Rates

4. In the matter of multiple rates of exchange, is it unfair to conclude that at best the Fund has been walking a treadmill—if indeed the Fund's policies vis-a-vis Ecuador and others do not mean that the reverse of progress has occurred?

One of the purposes of the Fund is to facilitate the abandonment by its members of multiple exchange practices and the substitution therefor of a single integrated rate of exchange adequate to permit the flow of exports and to restrain imports where that is desirable. It would, however, be foolish to suppose that this transition will be facilitated by a mere formal ban.

Leaving aside the rights of members to maintain or adapt existing practices during the transition period, it is in any event necessary, if the Fund's intervention in this field is to have any effect, to take into account all the relevant considerations, both economic and political, in each of the countries concerned, and to work out a course of action whereby, by appropriate steps, the country may move toward the desired end. And in determining whether any change is a movement of this kind, it is not enough merely to look at the number of different rates and to enquire whether the number has diminished. The real test is whether the modification proposed will place the economy in a position from which it will be easier, when the necessary fiscal and credit policies have been put into effect, to move nearer to a single exchange rate.

Judged by this test, the Fund's decisions so far have been sound. In Ecuador the number of rates has increased, though in Italy the system to which the Fund gave a qualified approval was in fact simpler and nearer to an integrated rate than its predecessor. The important thing, however, in each case is that the new setup was likely to facilitate the movement of the economy into a position from which later a further movement to a single rate could be made without intolerable strain. The choice in Ecuador was not between the system which the Fund approved and a single rate. It was between the system approved and a more complex system of uncertain and ineffective rates, with inflation and balance of payments diffculties growing in severity. Of these alternatives the system approved offered the best prospects as a stage from which further movements in the desired direction could proceed.

The fact is that in Ecuador the measures recommended by the Fund have resulted in stabilization of prices, reduction of currency in circulation, removal of all quantitative restrictions on imports and even complete freedom to transfer capital. This has been done in less than a year. From a situation where contingent liabilities on import licenses and confirmed letters of credit exceeded the rapidly diminishing reserves, the situation has changed to one in which reserves are no longer falling, contingent liabilities are normal, and international payments are nearly in balance. Favorable conditions are being created to move promptly toward an orderly and stable exchange system.

The present Ecuadorean system is moreover avowedly temporary, and the Ecuadorean authorities have given an undertaking to review it in the light of experience within a comparatively short time. The use of the word "temporary" certainly guarantees nothing about the future, but the undertaking given is much more than a formal undertaking. The Fund and the Ecuadorean authorities are in close and continuous consultation, and the Fund is taking an active and lively interest in the course of developments there.

The Fund's Achievements

5. To what specific achievements of the Fund to date can you point?

In general, the nature of the work of the Fund is such that it cannot be described in terms of specific achievements.

The achievements of the Fund are solid if not spectacular. The Fund clearly has not restored a satisfactory exchange environment in which international trade and payments can be carried on with freedom and assurance. The world continues to be troubled by balance of payments, monetary reserve, and exchange problems. Their solution will take time and will require concerted action by members through the Fund and outside the Fund. In the last analysis, it is only the national policies of members that can make it possible to achieve the objectives of the Fund. But to say that the world is still faced with major international economic difficulties is not to say that the Fund has been ineffective under these trying conditions. The fact is the Fund has done and is doing a good deal to help its members in establishing the conditions necessary for achieving the objectives of the Fund.

Among the achievements of the Fund of primary importance to the Fund's purpose is the great progress made in collecting information and in preparing studies on international financial problems. Much of this material is necessarily confidential. Some of it is made available to the public through the publications of the Fund. The Fund expects to enlarge the scope of its publications and to make available to the public the fullest possible information on international financial problems and on the work of the Fund.

The Fund has been in consultation with practically all of its members, in some instances providing technical assistance in working out exchange and currency programs. Much of this activity involves contacts and negotiations with members which it would be improper to publicize and some of which indeed could not be undertaken if members had the idea that the results would have to be proclaimed to the world as specific achievements. We rate very high the progress that has already been made in developing friendly and effective cooperation for the elaboration of sound and constructive policies.

The Fund has been in operation for more than a year. In this time it has engaged in exchange transactions totaling over $600 million. The aid thus made available in a critical time, when other sources of funds were not readily available, has been of enormous help to the members of the Fund. It has enabled them to continue international payments without requiring new restrictions and further clogging of the channels of international payments.

Perhaps more important than the fact that members purchased $600 million of exchange from the Fund is the evidence that members do not regard the Fund as an easy source of funds for enlarging their scale of imports. Their cautious attitude toward the Fund's resources indicates clearly that the members of the Fund recognize its essential character as a second line of reserves to be used only for temporary assistance in time of great need. This careful attitude toward use of the Fund's resources indicates that the Fund will remain an influential factor in aiding members in dealing with their international financial problems, both through the financial aid it can give and the technical assistance it can provide.

With William R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Russell M. Dickson is now associated with William R. Staats Co., 111 Sutter Street. Mr. Dickson was previously with Walston, Hoffman & Goodwin, and Wulff, Hansen & Co.

Lucius Hallett Joins Mutual Life Ins. Co.

Lucius F. Hallett, Jr., for the past two and one-half years Manager of the First Boston Corporation's Washington, D. C., office, will become associated with New England Mutual Life Insurance Company's investment department, effective July 1.

A graduate of the Pomfret School and of Princeton University in 1931, he is a Navy veteran and held the rank of Lieutenant-Commander at the time of his release after nearly four years' service. Mr. Hallett has devoted his entire business career to investment work.

Redwood Re-elected VP of Baltimore Exchange

BALTIMORE, MD.—John Redwood, Jr., Baker, Watts & Co., was re-elected Vice-President of the Baltimore Stock Exchange, at the annual organization meeting of the Board of Governors. Edward J. Armstrong, Stein Bros. and Boyce, was re-elected Treasurer. Mrs. Helen P. Garrett was again chosen Secretary, and Assistant Treasurer, and Mrs. Messamine Farber, Assistant Secretary.

The following were elected Chairmen of the various standing committees:

Arrangements: H. Landon Davies.

Admissions: F. Grainger Marburg, Alex. Brown & Sons.

Listings: Mr. Redwood.

Finance: W. Carroll Mead, Mead, Miller & Co.

Delivery of Securities: Leo Kriegel, of H. Landon Davies.

Business Conduct: Charles W. L. Johnson.

Commissions and Quotations: Mr. Armstrong.

Law: Mr. Johnson.

Morgan Stanley Group Sells N. Y. Tel. Issue

An underwriting group headed by Morgan Stanley & Co. on June 30 offered publicly $90,000,000 New York Telephone Co. refunding mortgage 3% bonds, series F, due July 1, 1981 at 101⅛ and interest, to yield approximately 2.945%. The group won award of the bonds at competitive sale on its bid of 100.67.

The proceeds will be applied to repayment of short-term bank notes, which were outstanding in the amount of $62,000,000 on June 15, 1948, and the balance will be used for the company's construction requirements. The bank borrowings were made to provide funds for its construction program.

Following the financing, the company's outstanding capitalization will consist of $350,000,000 in funded debt and 4,213,000 shares of common stock, par value $100 per share. All of common stock is owned of record and beneficially by American Telephone & Telegraph Co.

Phoenix Glass Common Offered by Kaye, Real

Kaye, Real & Co. on June 28 publicly offered 149,000 shares of common stock (par 50 cents per share) of The Phoenix Glass Co. at $2 per share. The proceeds will be used for expansion.

The Phoenix firm, established in 1880, makes a widely diversified line of glass products and sells a large portion of its output to the building construction industry. Its plant is located in Monaca, Pa.

The above securities are offered as a speculation.

Financial Aspects of Business Outlook

(Continued from first page)

trial production and increasing prices. Our currency was devalued, the gold standard was abandoned and a plan of managed money was adopted to provide abundant credit at low interest rates. To implement these ideas a program of deficit financing was adopted to create jobs, to subsidize the jobless and to distribute purchasing power. The long-run effect of these policies on our economy was subordinated to the immediate objective of inflating incomes and prices.

Federal legislation, however, was unable to cope with the basic problems of the depression or to reduce substantially the enormous unemployment. In 1938 our economy was in a strait-jacket with little prospect of recovery. But when the outbreak of war in Europe stimulated armament activity, our economic situation changed with lightning rapidity. Unemployment disappeared as millions of young Americans were drafted into the armed forces. We soon found ourselves confronted by a wide variety of shortages, an inadequate labor supply, rationing of many products, and allocation and controls for others. Probably never before in our history had we experienced so complete and fundamental a reversal of our position in such a relatively short period of time.

Economic Confusion and Misunderstanding

Accordingly, it is not surprising that there exists today much confusion and misunderstanding about the major economic problems that now confront us. In the period following the great depression, every effort was made to bring about a rise in prices. Today our chief concern is still with prices. But now the problem is to prevent them from getting out of hand and developing into a disastrous spiral of inflation. Our efforts to solve this problem are handicapped by the carryover of methods and policies previously adopted to accomplish the very thing we are now endeavoring to prevent. Our confusion in this regard is well illustrated by what is happening with the price of foodstuffs. On the one hand the high cost of living is forcing upward wages and industrial costs, and high food prices are deplored by government officials. At the same time other government officials are required by law to subsidize those same high prices when support levels are reached. The reasons for the changed position in which we find ourselves today are easy to understand, but the means for solving them are complicated and difficult.

At the same time that our economy was turned topsy-turvy, we as a nation found ourselves suddenly catapulted into a position of leadership in a world divided ideologically and prostrated economically. The victory which we won at the cost of so much blood and treasure has already been diluted by the threats of a new aggressor in the international arena. Instead of the peace which we had hoped to achieve, we find ourselves faced with a new struggle requiring sacrifices practically akin to those called for during the war. But this time our resources are depleted and we are burdened with a debt of great proportions. We are still faced with shortages and inadequate productive capacity. Our dreams of a better world have not come true. That the frustration inherent in the existing situation should produce tensions, misunderstanding and confusion, is not surprising. There is little doubt that the depression of the '30s, with its unemployment and lowered standard of living for millions of people in most parts of the world, was a basic factor contributing to the conditions which led to World War II. We are beginning to recognize that much of the problem existing today results from the inability of the world as a whole to provide mankind with a reasonably satisfactory standard of living. The big majority of the world's population exists at a bare subsistence level, with few of the comforts of civilized life and with little hope of substantial improvement in the near future.

We in the United States have come to the realization that our own best interest lies in a far-sighted international program to improve the unhealthy economic conditions abroad which breed wars and totalitarian governments. The Marshall Plan, which aims at a self-supporting Europe, is our biggest step in this direction.

In the light of this background, it is at once apparent that the problem facing the world today is not one which can be quickly solved. The shortage of basic necessities is of tremendous magnitude and is worldwide in its scope. It seems clear that expansion of domestic production is prerequisite to any constructive program. In spite of the fact that our industrial productive capacity exceeds that of any other country in the world, it still falls far short of what is needed to satisfy our own needs. The expansion of our productive machine, contrary to popular belief, has not kept pace in recent years with our population growth and with the requirements necessary to insure a normal growth in our own standard of living. While it is true that our living standards have risen, the gain has been spotty and not of the uniform character necessary to provide maximum satisfaction and to eliminate the devastating economic costs of class warfare.

Expansion of Industrial Production Exaggerated

The United States has not made nearly the progress in the expansion of industrial production that is often assumed. This is particularly true in the production of consumer durable goods. If we compare the per capita iron and steel production today with the per capita volume reached in 1929, we find practically no growth whatever in almost 20 years in this most basic and essential of our durable goods. For example, we produced in 1946 only 944.6 pounds of iron and steel per capita, as compared to 1,040.5 pounds per capita in 1929. Even at the peak of our war effort in 1943 we reached a production of only 1,300 pounds per capita and accomplished that for only a short period under wartime conditions. We have not been able to maintain it since, largely because of labor conflicts in allied essential industries. World steel ingot production reached a total of 170 million tons in 1943, and dropped to 121.6 million tons for the year 1946. This latter figure compares with 149 million tons for 1940. The steel-making capacity of this country is 91 million tons of ingots and steel for castings per year, an increase of about 18 million tons above that of 1929. The importance of this increase, however, in view of our changed international position, is relatively minor. We must remember that our requirements are greater than they were in the past, and that our population is increasing rapidly. Since 1940 the increase in population has been about 10%, or about 14,000,000 people — the equivalent of the population of Canada. As a result of the war world steel production has declined, particularly in Western Europe, more than ours has increased. Because both our domestic and export needs are greater than ever before, the over-all situation is much worse than it formerly was.

Our situation with respect to the output of certain non-ferrous metals is even more discouraging on a per capita basis, when compared with that of about two decades ago. We are short not only of copper, but also of lead, tin, zinc, and manganese. It is generally agreed that these basis metals should be generously stockpiled by the government as a military precaution, since we are dependent on imports. Our civilian demand, however, has been so heavy that the government is accomplishing little in the way of acquiring adequate supplies to cover its need.

While nature has endowed us generously with both anthracite and bituminous coal, our annual production of these basis raw materials has been lagging and per capita-wise is considerably below the levels reached in the past, notwithstanding improved mechanization. Our needs for electrical power capacity are so great that curtailment of industrial customers and the rationing of power has become commonplace in many sections of the country. While the power industry is endeavoring to expand, it is retarded in its efforts because of bottlenecks in the production of generators, steam turbines and transformers. Another of the serious handicaps to larger production is the shortage of freight cars. Steel production has been held up frequently by the lack of an adequate supply. It was only about the middle of last year that the steel companies began to apportion even sufficient steel to freight car manufacturers to permit the building of enough new freight cars to replace the number currently wearing out. In lumber production our decline on a per capita basis since 1929 is approximately 25%. Even though the war has been over for three years, we have failed by a wide margin to produce anything like the same number of automobiles we produced annually at the end of the 1920s.

Need for Capital Goods Industry Expansion

This brief review of the inadequate supply of certain essential materials and the shortage of productive facilities in many basis industries clearly shows the necessity for a very substantial expansion in the capital goods industry in this country. This task requires not only a large amount of investment capital, but considerable time as well. To a large extent our existing problems can be traced to the failure of American industry to expand in the past two decades as it did steadily through booms and depressions before 1930. American industrial growth has actually declined since the third decade of this century. Whether or not government restrictions on industry and investment after the great depression were causes of this decline is a question that could well be profitably explored.

It may seem axiomatic to say that we can only have and enjoy what we produce. Notwithstanding this fact, we are continually confronted with evidence that this homely truth is much misunderstood. Production is continually restricted by government regulations and by work stoppages resulting from the non-cooperative attitudes of labor and management. As a consequence, our problems are aggravated and class feeling needlessly inflamed. Entirely too many people are deluded by the belief that government will somehow provide for their needs. The fact that government itself produces nothing and distribute only as much as it collects in taxes is not generally understood. Taxation may arbitrarily result in distributing some things more or less equitably, but it can add nothing to the sum total of the supply of goods and services available to society.

Correcting Current Business Fallacies

These basic factors affecting our present situation are generally known to bankers, but unfortunately, we bankers are not doing as much as we might in bringing them to the attention of the American public in order to correct current business fallacies. All too often the tendency is to place the blame for unsatisfactory economic conditions on either the businessman or the banker. It has become the fashion in recent years to blame management for current high prices and shortages. Some government spokesmen give the impression that the panacea is additional controls in the hands of Federal administrators, who could then resort to rationing and price-fixing when their wisdom dictated. It should at once be obvious that rationing and price-fixing add nothing whatever to available supplies, but merely attempt to divide an inadequate supply at an arbitrary price. Instead of solving the problem, it aggravates it by increasing demand for scarce goods and by freezing an unsatisfactory condition, without of itself stimulating sound measures for corrective action. Many of our present difficulties can be traced directly to past policies of the government, and our ultimate economic health lies in refusing another dose of this same bad medicine.

As a result of the war, our supply of money and bank credit increased approximately three times. The supply of goods and services available for purchases increased only moderately, and in some lines actually decreased relative to the increase in population. This is particularly true with respect to housing. The disproportionate increase in our money supply in relation to goods constitutes the hard core of our inflation problem. Neither the banker nor the businessman is responsible for this situation since it was an inevitable consequence of financing our war effort. The pressure of our swollen money supply on prices continues to be one of our danger potentials. Federal reserve authorities have requested Congress to grant them additional controls to restrict the further growth of business to essential needs. The policies adopted, together with the warnings, have resulted in a general tightening of money rates.

The problem faced by our fiscal authorities is extremely difficult and the skill with which the delicate situation has been handled thus far in the post-war period deserves great praise. Actually, government authorities are attempting an almost impossible task. On the one hand they are hoping to prevent a serious rise in interest rates for long-term government bonds, while at the same time restricting the available supply of credit for business and increasing its cost in order to discourage its use for speculative purposes. In other words, they would like to keep money cheap and at the same time make it hard to get. They would like to contract credit on the one hand and expand it on the other. These are good tricks if they can do them. Regardless of that, however, the powers of the reserve authorities at present appear to be ample to accomplish any desired purpose. At least they are ample to accomplish the possible and no amount of additional powers would enable them to accomplish the impossible. The plans recommended to Congress, giving reserve authorities powers to increase reserves and to require special reserve funds, might be very effective in restricting credit, if that were their only objective. Neither Mr. Eccles nor any of the Reserve Bank authorities, however, have ever explained how restricting bank credit through the requirement of higher reserves and by means of special reserves would produce a result different in its ultimate effects from a tightening of bank credit by means of open market operations.

Bank credit and Federal Reserve policies must be carefully evaluated in order to insure an adequate supply of funds for industrial expansion and, at the same time, avoid a disastrous inflationary spiral. Some curtailment of installment credit and easy terms available for housing loans is desirable. No veteran will benefit from buying a $6,000 house for $12,000. What is needed is selective control rather than a blanket reduction in bank credit. Selective control can only be exercised by individual bankers, not by directives from Washington. At present the Federal Reserve appears to be ready to buy unlimited amounts of government securities to support pegged prices. Bankers, however, should arrange their government bond portfolios so that they could stand whatever shock might result from a further lowering of the support level or the pulling of the plug entirely. While the latter contingency—that is, the withdrawal of all support—does not at this time appear likely, conservative bankers will arrange their affairs so as to be ready for it.

Increasing Capital Investment an Important Objective

In outlining a constructive fiscal program to cope with our problems, possibly the most important objective we can work toward is an increase in capital investment. The American people have a colossal volume of funds which they are currently holding unemployed in the form of currency and bank deposits, largely because interest rates are held near the artificial wartime levels. While a further reduction of rates in the lower tax brackets should be avoided as inflationary, some levelling of the steep gradation of surtax rates would greatly stimulate capital investment and, therefore, would be anti-inflationary. Elimination of double taxation on corporate dividends and reduction of the tax on capital gains also stimulate investment of risk capital and promote plant expansion. An increase in capital formation through investment is the only way that we can lay the foundation for long-run prosperity and a rising standard of living.

The chief reason why it is difficult to obtain constructive action in tax and monetary policies is that government spending is so high. Federal, state and local governments should postpone all public works except those of a strictly emergency nature in order to reduce government spending and to transfer scarce supplies to productive enterprise. The Federal cash surplus should continue to be used to pay off the bank-held public debt. This will reduce the money supply by an equivalent amount, since it is the reversal of the process by which the money supply was expanded. Since the public debt cannot be reduced during depression and our international commitments promise to remain high, we can ill afford to delay major curtailment of domestic government expenditures.

All these fiscal reforms will contribute to a more stable economy based on an increase in productive capacity. In addition, it is to be hoped that an improvement in managerial techniques and in more efficient machinery and equipment will raise our production levels to new heights. For it is only production and more production which will assure the United States a sound and prosperous economy and an ever-rising standard of living.

Immediate Business Outlook

As far as the immediate outlook for business as it pertains to banking is concerned, it is my opinion that:

1. The boom cycle which had just about come to an end has been extended by tax reduction, the government's program of rearmament and its European recovery program. Just how much it has been extended cannot be foretold but there is every indication that business activity will remain at high levels, at least through 1948. Unless there is a major shift in government policy, price averages should remain fairly level during this period since inflationary forces at work are being counter-balanced by deflationary forces which have set in.

2. While interest rates on short-term governments may be allowed to rise slightly, the chances seem to be good that long-term governments will be supported during the near future, at least, at present levels. Any assumption, however, that the reserve authorities can or will maintain present support levels indefinitely is unwarranted.

In conclusion, I would like to say that this is a time which calls for caution. We may be sure that this boom is not going to last forever. We have enjoyed a period of eight years in which it has been almost impossible to make a bad loan. During six of these years our deposits have expanded very rapidly due to deficit financing rather than any effort on our part. During this period the rising tides of inflation have floated many an old wreck, thus enabling us to enjoy large recoveries on old assets which were charged off in the thirties. It has in fact been a period of almost riskless banking. We have had a picnic in which we couldn't lose.

In my opinion the picnic is just about over. We are back in the business of taking risks—of reaping rewards for good judgment and suffering the penalities for bad.

I think that now is a good time for us to become highly selective in our credits—not only from the standpoint of co-operating in the ABA anti-inflation program by restricting loans to those for essential productive purposes, but also selective in the quality of loans for any purpose, however worthy. These are good times to be building up reserves for losses which are sure to show up somewhere down the line. In this respect, the recent ruling of the Treasury Department which permits the setting up of reserves for losses on the basis of a 20-year experience constitutes a great break for banking. The plan is, of course, one which every bank should adopt.

The banks of the nation are today in a very strong condition. The greatest service we can render this country during these uncertain times is to keep them so.

Halsey, Stuart Group Offers Gulf, Mobile & Ohio RR. Collat. 3¾s

Halsey, Stuart & Co. headed a group of underwriters who on June 25 publicly offered $7,000,000 collateral trust 3¾% bonds, due 1968, of Gulf, Mobile & Ohio RR. Co. at 101 and interest. The group was awarded the issue on June 24 on a bid of 100.08992.

The net proceeds, together with other company funds, will be applied to the purchase of equipment estimated to cost approximately $8,540,000, consisting of 16 Diesel electric locomotive units, four sleeping cars and an aggregate of 1,500 freight train cars, consisting of 650 gondola cars, 550 hopper cars and 300 box cars.

The State of Trade and Industry

(Continued from page 5)

merchandise increased moderately and buyers continued to place numerous re-orders for seasonal merchandise. Deliveries of many goods continued to improve.

STEEL OPERATIONS SCHEDULED AT 95.2% OF CAPACITY FOR WEEK AGAINST 72% A YEAR AGO

The steelworkers are going to get a raise in pay within a few weeks and when the exact figure is determined the wage hike will probably be accompanied by a social security package ordered under the contract signed in 1947. Negotiations between U. S. Steel Corp. and the steelworkers on the group insurance and other features have been under way for more than a week, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

The capitulation on the steel wage issue will come after steel leaders have admitted that their attempt to stem inflation by cutting prices and refusing wage increases has failed. It was a good gesture and it means that the steel industry for once will not have to take the blame for a new inflation spiral, the trade paper states.

Just as steel wages will go up, so will steel prices. After steel companies find out what their new coal costs are, and how much steel wages will add to steelmaking costs, up will go steel prices.

Steel leaders privately feel that they cannot stand by and see their profits eaten up by high prices and high wages. They feel, the magazine points out, that they did their part and tried to stem the tide. Now, in fairness to their stockholders and in order to secure their investment and provide for new equipment and proper replacement, prices are going up.

The big blockbuster which is expected to hit steel customers soon will be an f.o.b. mill system in steel sales. Then the customer will pay the freight. This is what the Supreme Court in effect calls for, say steelmakers. And that is what steel companies must do if they are to obey the law of the land as they think the Supreme Court has interpreted it.

An industrywide survey among steel users by "The Iron Age" shows that 70.1% do not favor the elimination of the basing point system. Arguments from Federal Trade Commission men are that the commission does not want a complete elimination of present selling practices. But sometime after July 9, when the cement industry goes to an f.o.b. mill system the steel industry is expected to follow.

About 8% of them told "The Iron Age" that the elimination of the present way of selling steel would mean they would have to move their plant. Moreover, 68.4% said the basing point was not discriminatory. And 63.5% did not favor an f.o.b. mill system of selling.

An f.o.b. mill system will mean one of the biggest changes in steel marketing practices since Pittsburgh Plus went out in 1924—but steel people say the result will be much more far reachnig.

The settlement of the main issues of the coal controversy means that the steel industry this year may surpass, by a few million tons, the peacetime record of 85,000,000 tons made last year.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 95.2% of capacity for the week beginning June 28, 1948, a decrease of a point, or 1%, from last week. A month ago the indicated rate was 96%.

This week's operating rate is equivalent to 1,716,000 tons of steel ingots and castings as against 1,734,000 tons last week, 1,730,000 tons a month ago, 1,259,900 tons, or 72.0% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, the highest prewar year.

ELECTRIC OUTPUT CLOSE TO 100,000,000 KWH. ABOVE PREVIOUS WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended June 26 was 5,256,698,000 kwh., according to the Edison Electric Institute. This was an increase of 97,443,000 kwh. over the output in the preceding week, and was the highest production reported since that for the week ended March 13, 1948, when 5,284,641,000 kwh. were turned out. It was also 581,950,000 kwh., or 12.4%, higher than the figure reported for the week ended June 28, 1947, and was 1,124,018,000 kwh. in excess of the output reported for the corresponding period two years ago.

CAR LOADINGS DECLINE MODESTLY IN WEEK

Loadings for the week ended June 19, 1948, totaled 906,774 cars, according to the Association of American Railroads. This was a decrease of 174 cars or .02% below the preceding week, but an increase of 5,478 cars or 0.6% above the corresponding week in 1947, and 48,351 cars or 5.6% above the same week in 1946.

AUTO OUTPUT SHARPLY LOWER FOR WEEK DUE TO ASSEMBLY PLANT CLOSINGS

Production of cars and trucks in the United States and Canada declined to 93,290 units from 109,259 (revised) units the previous week, according to "Ward's Automotive Reports."

Chiefly responsible for the drop from the week before was the closing of General Motors' outstate assembly plants. Their suspension of operations more than offset the reopening of the company's Michigan plants and caused a net decline of 22,000 units in output of the Chevrolet division.

The closing of the Ford assembly line at the Rouge plant on Friday because of parts shortages also contributed to the decline in last week's output.

Output in the similar period a year ago was 103,203 units and, in the like week of 1941, it was 127,926 units.

This week's output consisted of 64,472 cars and 22,848 trucks made in the United States and 3,615 cars and 2,355 trucks made in Canada.

BUSINESS FAILURES RISE IN WEEK

After the previous week's decline to 100, commercial and industrial failures rose to 111 in the week ending June 24, Dun & Bradstreet, Inc. reports. Concerns failing were almost twice as numerous as in the corresponding week of 1947 when 60 occurred and exceeded the 14 failing in 1946 by a heavier margin. Despite the sharp increase, casualties continued to be less than half as high as in prewar years.

All of the increase this week was concentrated among failures involving liabilities of $5,000 or more. Totaling 89, they outnumbered the 77 a week ago and the 46 in the same week last year.

Retailing accounted for most of the week's rise in mortality, with 50 casualties against 37 in the preceding week and 24 a year ago.

The largest number of casualties, 30, appeared in the Pacific States where mortality was over three times as heavy as a year ago. No other region had as many as 20 failures.

FOOD PRICE INDEX EASES IN LATEST WEEK

Food price movements were irregular in the week. There was a slight downturn in the Dun & Bradstreet wholesale food price index from $7.18 on June 15, to $7.16 on June 22. Individual price advances, although more numerous than the declines, were outweighed by the latter. The current index represents a rise of 14.7% over the $6.24 of a year ago.

WHOLESALE COMMODITY PRICE INDEX MAKES FURTHER SLIGHT GAIN FOR WEEK

The Dun & Bradstreet daily wholesale commodity price index moved irregularly in the week. The index figure for June 22 registered 290.45, up slightly from 288.82 a week earlier and compared with 259.73 on the like date a year ago.

Grain markets were strong and active towards the close of the week with prices averaging higher than those prevailing in the preceding week.

Corn futures advanced sharply on good buying prompted by high premiums in the cash market.

Offerings continued light and cash prices moved ahead as shipping demand showed steady improvement. Some easiness developed in late dealings as much needed rains fell in parts of the Midwest. Wheat prices turned upward after early easiness, aided by strength in corn and absence of any material hedging pressure, despite the expanding movement of new winter wheat in the Southwest. General crop conditions remained favorable with rapid progress in wheat harvesting reported in Texas and Oklahoma. Export flour business remained at a standstill in the week.

Domestic demand showed some improvement, although sales consisted mostly of small lots for nearby shipment. Butter prices developed a weaker tone at the close as heavier offerings met with slight demand.

In livestock markets, hog receipts again failed to meet the heavy demand and prices continued their sharp upward movement.

Sheep and lamb prices were lower, but cattle prices remained steady and firm.

Activity in domestic cotton markets remained relatively quiet last week. Closing prices were slightly under a week ago after moving in a narrow range during the period. Some improvement in tone was visible in the closing sessions due to Congressional action restoring foreign aid cuts, the approval of the $150,000,000 revolving fund providing for shipments of cotton to occupation areas and the adoption of a farm bill extending 90% of parity loans on major crops through 1949.

Demand for cotton was generally dull with mills taking only small quantities for immediate needs.

Reported sales in the ten spot markets amounted to 48,200 bales for the week, against 40,200 bales a week previous and 31,700 a year ago. Sales registered under the export program totaled 6,560 bales in the week ended June 11, compared with 57,400 bales a week earlier.

RETAIL AND WHOLESALE TRADE MAINTAINED AT HIGH LEVEL FOR WEEK AND YEAR

Consumer purchases of gifts for Father's Day boosted retail volume during the first half of last week. Added to this during the week there was a general overall increase in sales of seasonal goods except in a few areas subject to poor weather. Total dollar volume for the week was moderately above that of the previous period and well above the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its current review of trade. Collections in most sections of the country were prompt although slightly slower than in the similar week in 1947.

Interest in men's apparel centered on shirts, neckties, handkerchiefs, hose and other items suitable for gifts. Men's sport shirts, slacks and summer hats also received considerable attention. The demand for women's summer street dresses, beachwear and lingerie continued to be heavy. Formal, graduation and wedding gowns were frequently requested.

In nearly all lines moderately priced articles were most popular.

Retail food volume increased moderately from the very high level of the previous week.

No noticeable reduction in prices was reported from any area and any resistance to high prices on the part of the consumer appeared to be sporadic and for the most part ineffective.

The supply of most foods was adequate. Sandwich spreads, soft drinks and other picnic items sold well.

The demand for nationally-known brands of household appliances continued at the high levels of recent weeks with ventilators, fans and air conditioning equipment selling well. Interest in garden tools and lawn furniture increased slightly. Paint, hardware and building supply volume continued to compare favorably with a year ago. The demand for used automobiles and auto accessories also remained heavy.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 10 to 14% above that of the corresponding week a year ago.

Regional estimates exceeded those of a year ago by the following percentages: New England and Pacific Coast, 7 to 11; East, 12 to 16; South and Middle West, 9 to 13; Northwest, 14 to 18, and Southwest, 13 to 17.

While buyer attendance at wholesale markets increased slightly during the week, total wholesale volume remained steady at a high level. The dollar volume of orders was moderately above the level of the like week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 21, 1948, increased by 21% from the like period of last year. This compared with an increase of 1% in the preceding week. For the four weeks ended June 19, 1948, sales increased by 8% and for the year to date by 7%.

Retail trade in New York City last week showed little adverse effect as a result of rain and humidity. Department store sales for the period rose about 9%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 19, 1948, increased 16% above the same period last year. No change was recorded in the week of June 12 from that of the week preceding when sales showed a decrease of 8%. For the four weeks ended June 19, 1948, sales increased by 7% and for the year to date by 6%.

As We See It

(Continued from first page)

from the address by Herbert Hoover, with whom we have in years past been obliged to differ on more than one occasion, but who as "elder statesman" has, we believe, earned the respect and confidence of all thoughtful men as he was somehow never able to do while in the White House.

Having delivered himself of these basic and pungent observations, which should of themselves have given every delegate at Philadelphia pause, he adds these warning notes:

"If you produce nothing but improvised platitudes, you will give no hope.

"If you produce no leadership here, no virile fighter for the right, you will have done nothing of historic significance.

"If you follow the counsel of those who believe that politics is only a game to be played for personal advantage, you are wasting your time and effort.

"If you will calculate what will please this or that little segment of our population, and satisfy this or that pressure group or sectional interest, you will be betraying your opportunity, and tragically missing the call of your time.

"If you temporize with collectivism you will stimulate its growth and the defeat of free men.

"If, on the other hand, as a mature and inspired political party, you face the truth that we are in a critical battle to safeguard our nation and civilization which, under God, have brought us to a life of liberty, then you will be guided in every step to restore the foundations of faith, of morals, and of right thinking.

"If you choose your leadership with full recognition that only those can lead you who believe in your ideals, who seek not only victory but the opportunity to serve in the fight, then you will issue from this hall a clarion call, in as pure a note, in as full a tone as that call to arms which your political ancestors issued at Ripon, Wisconsin, when this party was born to make all men free."

It is difficult for us to see how any intelligent citizen with the good of his country at heart can doubt the solid wisdom of these words. Did the Republican party meet, or is it meeting, these challenges? The public must await an answer. It did not get one, or certainly not a convincing one, from the convention last week.

Platform Meaningless

The platform adopted is as meaningless as such documents nearly always are. Its "declaration of principles" could mean almost anything or nothing — except that no interpretation of it could possibly cleanse it of its taint of essential New Dealism. The claims made for the Republican majority in Congress are at many points obviously "phoney." The same is to be said of the "promises" — if such they may be termed — for the future. At one point it boasts that the Republican Congress during the past two years has enacted a long-range farm program; at another it solemnly declares that "there must be a long-term program in the interest of agriculture and the consumer which should include: an accelerated program of sounder soil conservation; effective protection of reasonable market prices through flexible support prices, commodity loans, marketing agreements, together with such other means as may be necessary, and the development of sound farm credit; encouragement of family-size farms; intensified research to discover new crops, new uses of existing crops, and control of hoof-and-mouth and other animal diseases and crop pests; support of the principal of bona fide farmer-owned and farmer-operated cooperatives and sound rural electrification."

This and much more like it is to be found here and there throughout this extraordinary document. Yet throughout it also are sentences and passages which profess to honor and which promise to promote traditional American free enterprise, individual initiative, and rigorous self-reliance! But nothing in particular is to be gained by laboring the point. The platform is a hodge-podge, but platforms usually are. It definitely is tinged with New Dealism, but there never has been any good reason to suppose that it would not be. Not since Mr. Hoover went down in defeat in 1932 has a platform by any of the parties failed to pay homage to the Marxisms of Franklin Roosevelt.

As Usual

But platforms do not usually mean very much in actual practice — except, possibly, for the purpose of catching votes. Certainly, in recent years they have meant little enough. They are regularly written, as was this one, long before the writers of it, the Convention itself or any one attending the Convention, has any information of consequence about who is to be selected as the standard bearer of the party. It is usually drafted by professional politicians who think they know how to get votes with it. It is written usually in the full knowledge that at least some of the candidates, most frequently all of them, are not ready at that moment to commit themselves on many of the vital questions of the day, and in full consciousness of the fact that delegates to the convention are primarily concerned with the selection of a candidate for the Presidency, and that they can be counted upon to approve the platform in whatever form it is placed before them.

In the present instance the nominee, Governor Dewey, has — again as is the invariable custom — endorsed the platform without reservation, at the same time that he had high praise for it. We do not profess to know what goes on in the mind of the Governor, but on the record one can scarcely take such an endorsement as meaning very much. For light upon what Governor Dewey as President would do and what a Republican Congress under his leadership would do, one must of necessity await further developments, in the hope, but not in the certainty, that in the months to come prior to the time when the voting has to occur a reasonable basis for selection among the candidates will emerge.

Light to Come?

One or two observations may meanwhile be made. Governor Dewey as administrative head of New York State has proved himself to be an able executive. He has, generally speaking, selected advisers more intelligent, more realistic, and more capable than many that have of late years been called to Washington. He is fairly generally regarded as having been what is known as a "good Governor." He is without any question a "shrewd politician" — an attribute of real value in the White House. At the same time, no one can successfully deny that he is deeply tinged with New Deal notions, even if many would prefer to call them by some other name.

The country will await the unfolding of the coming campaigns with extraordinary interest, we think.

Oil and National Policy

(Continued from page 7)

strain on the distribution system resulting in local or spot shortages. This condition, however, can be expected to be temporary, because price is operating to expand supply and retard further growth of the marginal elements of demand, while serving to create most of the capital needed to build up additional productive capacity. Thus, in time, the existing bottlenecks will be broken and one should be on guard not to act upon a cyclical and seasonal phenomenon on the assumption of its being a permanent condition.

A hasty view of the current oil situation is likely to raise the thought of permanent scarcity and this idea is fortified by the apparently increased difficulty of finding oil in the United States. Yet what is really happening is a transition from a very low cost-level to a higher one, and this shift does not denote a permanent condition of short supply, unless the economic forces making for expansion are crippled by action external to them. Wrong measures imposed at this time can greatly prolong or even make permanent a condition of shortage. Policy, therefore, should not be governed by the current episode but attuned to the fundamental probabilities.

National Welfare and National Security

The petroleum industry has made a noteworthy and widely recognized contribution to the national welfare. So much so, indeed, that any threats to a continuation of this process arouse keen public apprehension. At the same time, both world wars were highly dependent upon oil. In World War I, the "Allies floated to victory on a sea of oil," and in World War II, the "United Nations flew to victory on the wings of petroleum." Today there is widespread interest in the bearing of oil upon our national security, and this subject is surrounded by a fear that oil will not be able to meet requirements fully in a third emergency. Hence there is a tendency to think of oil and national security as a thing apart from oil and national welfare. But as a matter of fact, the two are inextricably joined together.

The military and civilian demands for oil are so closely commingled that it is impossible to deal with the one without the other. For purposes of national security, it is not sufficient to contemplate the military use of oil alone. The effectuation of national defense involves also the use of oil in industry, transportation, and on the farm. It does no good to have oil for tanks and planes if there is inadequate oil to operate industry, to transport the worker to his job, and to provide the power for mechanized farming. Proposals, therefore, to base an oil policy upon the objectives of estimated military needs alone are likely, through their retarding effects upon normal industrial operations and expansion, to create conditions harmful both to national security and the economy in general, and therefore to defeat the very ends to which the recommendations are directed.

Objectives of a National Oil Policy

To be effective, a national oil policy should have the following objectives:

(1) It should promote our national welfare;

(2) It should contribute to our national security;

(3) It should support and encourage our established industries both here and abroad;

(4) It should maintain conditions favorable to the entry of new persons into the industry;

(5) It should be consistent with our accepted political institutions; and

(6) It should contribute to world peace.

All these aims should be reconciled and no one overlooked or impeded. A balanced and integrated approach is required.

Guiding Principles for a National Oil Policy

In view of the paramount need for the expansion of productive capacity to a level containing a margin of safety to meet all contingencies, the following guiding principles are inescapable. Any policy which does not recognize all of them is faulty and will impede and not enhance progress.

(1) **Continuous and active search for oil is the most important element in maintaining and increasing the supply of oil:** Success in this sector requires the **multiple efforts** that can only be the result of vigorous competitive activities conducted by many persons under the urge of strong incentives. Other procedures, often tried in other countries, have proven ineffectual.

(2) **The production of oil must be conducted according to modern engineering methods and these techniques continuously improved to gain optimum efficiency in resource development:** The conservation statutes of the oil-producing states, coordinated by the Interstate Oil Compact to Conserve Oil and Gas, have proven a helpful instrumentality to this end, assuring the minimum of decentralized regulation without impairment of competition. The technological progressiveness of the industry is a major creative force in this field and its pattern of operations should be preserved.

(3) **Our petroleum resources are not exact physical quantities but are materials subject to effective expansion in innumerable ways under the influence of a powerful multiplying and generative force; namely, technology:** Any policy based upon static inventories of the barrels in sight will prove erroneous by failing to evaluate technology, the multiplier. To a large degree technology determines the effective magnitude of the resource. It is important to maximize this creative force, which requires imagination as well as knowledge.

(4) **A financial system providing adequate capital formation for the replacement, improvement, and expansion of facilities and reserves is an integral part of the productive process:** Without it, the industry would quickly exhaust its available resources and go into a decline. Unregulated prices and capital markets freely functioning are the best guarantees of sufficient capital formation.

(5) **Competition in all phases of the industry is the best assurance of efficiency and progress:** This force is automatic in its effect and arises out of the diversity of activities that characterize the effort. Competition operates to keep prices functional and to maintain progress and growth. Price is the most efficient regulator and allocator and should be left free to perform its proper functions.

(6) **Central planning in the production of oil has yielded poor results wherever tried:** Oil activities conducted by centralized governments illustrate the results of this method. There is a high degree of correlation between political climate and oil production. Government monopolies have invariably resulted in high prices and subnormal consumption.

A Design For A National Oil Policy

Judged by results, the United States has been very successful in oil. The achievements are visible on every hand: The highest per capita consumption in the world; a body of technology second to none; an unbroken record of outstanding growth; a dynamic aggressiveness which augurs well for the future; an industrial structure effective in practice; a conservation system based upon decentralized regulation by the

oil-producing states; an active development of foreign oil resources by American nationals; a social consciousness worthy of wide attention; and an attitude of cooperation between industry and government which reached high fruition during the war in the form of a government-industry team, the Petroleum Administration for War and the Petroleum Industry War Council.

The American Petroleum Industry is a successful working model of our enterprise system; and the contributions of the United States Government to the outcome must on balance be accorded an accolade of praise, for the results bear witness to success even though the efforts have never been formalized in terms of a clearly enunciated oil policy. There may be room for criticism of both government and industry, but assuredly such derogation must apply to details and not to the grand total.

We already have a national oil policy even if ill-defined. Our problem is more to conserve and strengthen what we have than to experiment with new forms at odds with our traditions of freedom. Our problems are great but not novel or unmanageable. The same ones were present after World War I, but with the difference that foreign oil has assumed a more important role. Apprehensions of permanent shortages are scarcely justifiable in the light of unlimited hydrocarbon resources in the United States and a plethora of low-cost petroleum reserves abroad. This is especially true in view of American enterprise, its incomparable body of technology, its genius for capital formation, and its vigor in promoting new approaches to its problems. In addition, we have a democratic form of government under which, in contrast with other types of political organization, oil exploration and development are enabled to flourish. The need is for reaffirmation rather than reconstruction.

The working out of an effective national oil policy, therefore, is a simple procedure and does not require further Federal laws or administrative machinery. It involves merely a continuation of an efficient and enlightened private industry, support by the government of our system of individual enterprise with avoidance of measures harmful to its functioning, and friendly diplomatic measures by the government directed toward the reduction of political risk surrounding oil operations abroad. Thus a competent national oil policy boils down to a series of attitudes and approaches on the part of both government and industry, which may briefly be outlined as follows:

(1) **The regulation of oil and gas production should be left to the established machinery of the oil-producing states as coordinated by the Interstate Oil Compact to Conserve Oil and Gas:** This system has worked well in practice, is steadily improving and offers the advantages of supplying the degree of regulation desirable for effectuating conservation without creating the evils of centralization and regimentation or impairing the effectiveness of competition. Full support should be accorded this complex of state-directed activities and the Federal government should refrain from measures interfering with this successful handling of the problem.

(2) **The functional aspect of price in causing expansion and contraction should be recognized, and interference with this mainspring of action should not be sanctioned;** Although oil prices have risen substantially since the war-end, the change has followed a long period of subnormal prices and serves to reestablish more normal levels and to reflect rising costs of maintenance and expansion. While the price structure is now producing what appear to be large earnings as calculated by orthodox accounting procedures, these earnings constitute the principal source of the capital required for replacement and expansion of productive facilities. Even so, the industry in 1948 will find its retained earnings (after paying only one-third out as dividends) plus its charges for depletion and depreciation falling short of its fiscal needs, so that it will have to raise substantial funds from the capital markets. Thus price is playing an essential role in capital formation, and any interference with it will impair the ability of the industry to outpace demand. Likewise, the imposition of special taxes designed to influence the end use of particular oil products would be an unjust discrimination against consumers and would interfere with the allocation function of price essential to a free market.

(3) **Peace-time controls should be avoided for the oil industry, since their retarding effect upon the productive mechanism would in practice outweigh such advantages as might be claimed for them:** No shortness of supply is in prospect in sufficient degree to warrant such drastic action.

(4) **Our national security in oil can most expeditiously be enhanced by the active development of oil in foreign countries by American nationals, the cultivation of friendly relations with such countries, and the command of the sea lanes to their shores in event of emergency:** The promotion of these conditions constitutes the quickest means to the assurance of ample oil supplies for the future.

(5) **The activities of American nationals in the development of oil in the Middle East should be supported by all reasonable means consonant with peaceful objectives:** This source of expanding oil production should be recognized as essential to the reconstruction of Europe and Asia, and to the successful carrying out of the European Recovery Program. This oil is not primarily needed in the United States, but its entry in large measure into oil trade will replace supplies now going from the Western Hemisphere to Europe and make them available to the United States. Developments which will retard or stop the Middle East oil production will adversely affect the economic growth of the entire world and place an excessive burden on the oil resources of the Western Hemisphere. The disturbed conditions in Palestine are an integral part of this problem and their prompt resolution is essential to world peace and economic advancement.

(6) **Efforts should be made to come to terms with Mexico to the end that American capital, enterprise, and technology will be encouraged to develop oil in that country:** Once a major oil-producing area and a prime factor in oiling World War I, this country, immediately south of our border, contains great oil potentialities which are now fallow because of political conditions. Beyond question a large oil production could be built up there, given an encouraging setting for the effort.

(7) **Emphasis should be placed upon the maintenance of friendly relations with Venezuela, which offers the prospects of the greatest early expansion of oil production in the entire world today outside of the Middle East:** This country has long provided conditions favorable to oil developments by American enterprise, with the result that it is the second largest oil producer in the world. Its oil developments have been of great benefit to this nation and to Europe and the United States. For maximum mutual advantage the continuation of a political climate receptive to further investments of capital is highly desirable.

(8) **Throughout Latin America we should endeavor to bring about a more favorable attitude toward American enterprise and capital:** Nationalistic trends in many of the countries south of the Rio Grande are interfering with the discovery and development of vast potential oil resources. The interests of the industry and the local inhabitants are clearly those of mutual advantage, for oil is a great creator of wealth in all areas in which it is produced.

(9) **In the interest of accelerating domestic oil development, the Federal claim to title covering the offshore lands bordering the oil-producing states should be abandoned:** This could be accomplished only by the Congress through special legislation, such as that now pending, since the Supreme Court has declared that the Federal government has a "paramount interest" in these lands. These areas undoubtedly hold billions of barrels of oil and constitute one of the most practical and immediate sources of new domestic oil supply. They can be developed to a limited degree under Federal ownership, but not so effectively, completely, or quickly as under state authority.

(10) **The details of the special tax provisions applicable to oil have become an integral part of the operating mechanism and should not be disturbed:** The Revenue Department is contemplating new regulations requiring the capitalization of all geological and geophysical expenditures now written off as expenses. This change would constitute a tax on exploration, resulting in the finding of less oil, and would handicap in particular the small wildcatter whose efforts are essential to maximize the effectiveness of search. Proposals to alter the principles of depletion are also recurrent, despite the universal use of the depletion allowance as a source of capital for further exploration. A downward revision in this allowance would be a retarding influence on exploration and production, unless offset by a compensating rise in prices, in which event the effects would be highly inflationary and very costly to the economy.

(11) **The discovery and development of oil on the Federal public lands should be facilitated by modernizing procedures and freeing them from red tape:** Some improvement in this respect has been recently witnessed, but it is desirable that bottlenecks be removed in the granting of leases.

(12) **Monopolistic practices of any kind should be prevented, but in policing this field the government should not impede the productive processes by unnecessary attacks based upon strained interpretations of established trade practices, distorted views on integration, or bias against size as such.** The vigor of demand and the outdistancing by oil of the competitive sources of energy are positive proofs of the existence of robust competition. The government should desist from retarding the development of unit plans in production by removing the threats of double taxation from these developments so desirable in the interests of conservation.

(13) **Recognition should be accorded the wide cost disparity between oil produced from large, flush fields and that derived from underwater deposits, deep horizons, synthetic processes, stripper wells, and secondary recovery projects, which as time goes on should constitute a rising proportion of domestic production:** Excessive imports of low-cost oil could disrupt the development of these more expensive sources at home. Imports, accordingly, should be attuned to maintaining a healthy domestic industry and to supplementing, rather than replacing, domestic supplies.

(14) **The ultimate development of synthetic oil can best be promoted by creating an economic climate conducive to the establishment by private industry of undertakings to this end:** It should be recognized that the technology, at least for coal and shale, is not yet perfected on a commercial scale and that a significant supply of oil from these sources is impossible in any short period of time. Recent proposals embodying governmental construction and subsidies seem premature and in some cases irrational. Industry is actively engaged in bringing to a commercial stage the techniques for coal conversion, while plants are already under installation for the manufacture of gasoline, diesel oil, and chemicals from natural gas. The government might well confine its efforts to basic developmental research and to the provision of accelerated amortization for commercial installations.

(15) **Caution should be used in implementing suggestions for stockpiling oil on a massive scale, although the armed services should assuredly be prepared with adequate inventories to meet immediate needs:** The stockpiling idea is very appealing on first glance, but, aside from great costliness, it would be impossible to put it into substantial effect for a considerable period of time, because of a lack of margin between supply and demand. It would be more practicable to stockpile coal, which not only could release oil in an emergency but would also serve to contribute to the solution of the instability of the coal supply. In the actual event of an emergency, there would be time to create stockpiles of oil by immediate rationing of civilian consumption in advance of the full incidence of war demands. The expansion of naval reserves can have only slight effect upon emergency requirements, while the locking up of proven commercial reserves would have a disruptive influence upon the operations of the industry and do more harm than good.

(16) **The authority of the Federal Power Commission should be clarified so that it cannot assume the power to control the production of gas at the wellhead and thereby regulate the production of oil and gas throughout the states:** The Natural Gas Act of 1938 was designed to regulate the rates charged by gas companies for the transmission of natural gas in interstate commerce, but through a series of court decisions, interpretations of the Act have led to a wider and more pervasive application of authority which threatens to extend to the process of production itself. Special legislation by the Congress, such as that embodied in the Rizley-Moore Bill, is needed to clarify the Act and safeguard the system of oil and gas exploration and production which has yielded such good results.

Conclusions

The best way of promoting our national welfare and national security in oil is through private enterprise. This is the only system which has succeeded in discovering and developing oil resources on a large scale. In recognition of this fact, the government should do everything in its power to facilitate the operation of this effective mechanism and sedulously avoid any steps restrictive of the initiatives and energies that motivate it. Improvised and hastily conceived measures, such as many exposed to the public eye today, could do immeasurable harm to our economy and render the proper resolvement of our oil problem impossible.

Our oil future cannot be accurately charted in advance. Our best procedure, therefore, is to maintain a dynamic oil industry competent to meet the problems as they arise and able to create new approaches to new challenges—an industry fortified with skill, experience, and aggressiveness and likewise equipped with means for advancing technology and forming the vast amounts of capital required for expansion. Such now exists.

Given the operation of a free economy in the United States and abstention by our government from measures interfering with the economic laws underlying its functioning, I see no reason why our domestic oil economy should not continue to make the optimum economic and social gains inherent in the resource. If, in addition, by diplomatic measures our government succeeds in reducing the political risks of oil operations abroad, American nationals with their capital, managerial skill, and technical know-how may be counted upon to continue to make a leading contribution to world recovery and world peace. The two combined should be the best assurance of our national security.

It is unfortunate that one cannot propose a single and dramatic approach to the oil problem, but realism and common sense tell us that the situation requires a multiple and integrated effort. Nothing could be more dangerous than to expect to find a one-shot answer or seek to implement one.

Halsey, Stuart & Co. Offers 3¾% Bonds Of Louisv. & Nash. RR.

Halsey, Stuart & Co. Inc. and associated underwriters today are offering, subject to authorization of the Interstate Commerce Commission, $30,000,000 of Louisville & Nashville RR. Co. first and refunding mortgage 3¾% bonds, series H, due April 1, 2003, at 100 and accrued interest. The group won award of the bonds at competitive sale on its bid of 98.26991.

The net proceeds will be used for capital expenditures to be made in the near future. The company has contracted for additional equipment, delivered or to be delivered in 1948 and 1949, of the estimated cost of $28,648,000; expenditures for improvements to roadway are estimated at $7,850,000 for 1948, and at $6,250,000 for 1949; and improvements to equipment are estimated at $1,350,000 for 1948 and at $1,480,000 for 1949.

The bonds will be redeemable at prices scaled from 105% to 100%, and through operation of the sinking fund, beginning in April, 1950, at prices ranging from 102% to 100%.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Walter W. Crawford retired from partnership in Betts, Borland & Co., June 30. A. Glen Acheson withdrew from partnership in Lazard Freres & Co. June 30. Lawrence K. Rachlin retired from partnership in Stanley Heller & Co. May 31. Interest of the late Lewis B. Hall, Jr. in Dobbs & Co. ceased May 29.

With Saunders Stiver Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—Clarence W. Whitwell has become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Cleveland Stock Exchange. Mr. Whitwell was previously with Livingstone, Williams & Co. and Finley & Co.

Tomlinson With Hirsch

Hirsch & Co., members of the New York Stock Exchange, announce that J. A. Tomlinson has become associated with the firm as a registered representative in the main office, 25 Broad Street, New York City.

Wm. S. Beeken Co. Adds

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Earl A. Nelson has been added to the staff of Wm. S. Beeken Co., Guaranty Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Persistence of dullness makes anticipating moves hazardous to figure. Continue to hold long stocks, keeping stops in mind.

* * *

It's hotter than the inside of a stove today — at least that's the way it feels where I'm sitting pecking this thing out on the Underwood — so what the market's doing leaves me dull-eyed and unimpressed. Here and there a little volume focuses attention. But by and large it seems as if the market was in its siesta with nothing but flies buzzing around it.

* * *

All this makes a pretty dull picture to wax enthusiastic about. If I could get out of this lethargy I might say a couple of words about inflation and what an awful thing it is and that the buying of stocks is one way to beat it. But actually I doubt if inflation hedgers can find the protection they seek in the indiscriminate buying of common stocks. Don't misunderstand me. Stocks can go up but to make money out of such advances you have to accept profits, even at the risk of stepping aside at the eve of another advance.

* * *

Caterpillar is a case in point. We bought that stock weeks and weeks ago at 55. We saw it go up to about 68. Last week, and two weeks ago, you were advised that it should be stopped at 61. Latter part of last week it closed at that figure. The assumption is that it will break the 61 price before long; maybe before you read this. In that case you get out of it.

* * *

What happened in **Caterpillar** happened, and will happen in other stocks you hold. Frequently the violation of a stop price is unattended by any hurrah, and the temptation, therefore, is to let the thing ride. To make money in the stock market, one has to take profits. The hardest thing to do is to sell when everybody is bullish. But if you don't want your paper profits to dissolve you have to sometimes act against every impulse.

* * *

From the looks of things at present, the market is still marking time. I see no point in anticipating something that will be evident when, as, and, if it breaks out in either direction. Through the use of stop points you protect yourself somewhat against losing all your profits. By the same token you have a share in any advance that may come out of this dullnes. So merely hold on and wait.

* * *

The list now consists of the following stocks: **Anaconda** at 32½, now about 40, stop at 37. **Avco** at 4½, now about 6½. No stop. Just hold. **Bethlehem Steel** at 31, now about 37½, stop at 36. **Caterpillar** (see above). **Dresser** at 22, now about 29½, stop at 27. **Lockheed** at 15, now about 22½, stop at 20, and **United Aircraft** at 15, now about 29½, stop at 27½.

* * *

Should any of these break their stop points, act on the advice given above. Meanwhile hold—and wait.

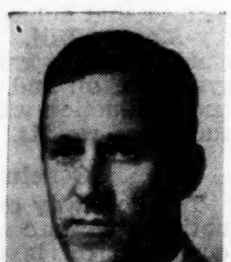
More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Howard, Labouisse Admit Westervelt

NEW ORLEANS, LA.—Howard, Labouisse, Friedrichs and Company, Hibernia Building, announced that Paul T. Westervelt had been admitted to general partnership.



Paul T. Westervelt

Mr. Westervelt, a native of Los Angeles, California, was formerly associated with Blyth and Company, Inc., in their Los Angeles office. During the war he served with the U. S. Navy and was stationed for some time in New Orleans. He joined Howard, Labouisse, Fredrichs and Company in their Sales Department on February 1, 1947.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—Albert B. Gilbert is with A. M. Kidder & Co., Florida National Bank Building. He was previously with Herrick, Waddell & Co.

Melvin Bahret Opens Office

EAST ORANGE, N. J.—Melvin Bahret is engaging in the securities business from offices at 665 Park Avenue. He was formerly associated with J. Albert Williams & Co.

Credit Policy—Constructive or Catastrophic

(Continued from page 2)

factors also affect consumer credit policy, although not the individual credit itself. Then, too, in the case of consumer credit we have an acute shortage of credit, as well as the very real threat of the reimposition of government credit controls. The latter would not be a credit factor, but conversely would strengthen rather than weaken the credit structure.

The nation's finance companies, both time sales and small loan companies, have for all practical purposes fully used up their available bank credit and are loaned up to the hilt. It is almost as hard to get additional lines of credit for even the best finance company today as it was, until recently, to get a satisfactory presidential candidate for the Republican Party.

This means that these companies are becoming more and more selective and investing their money in higher yield, safer business, on more and more conservative terms. This lack of credit normally supplied by finance companies is having a very real effect on some businesses. It is contracting sales in many lines, causing operating losses and business failures in some instances.

Consumer Credit Shortage

In the retail consumer goods field some furniture stores are having their sales restricted because of this shortage of credit. Dealers selling very small household appliances are also finding it difficult to obtain sufficient credit for their sales. Dealers in heavy construction equipment are finding their sales most restricted due to this credit shortage. Finance companies, formerly very active in this type of financing, are now rapidly retreating to use their funds for shorter term consumer credit paper. Many banks too are following the same procedure.

Interest rates charged finance companies have moved up sharply, and in my opinion will move up even more as time goes on.

Bank consumer credit is tightening everywhere. Many banks have about all they want of this type of paper, and as a result they, too, are becoming highly selective and refusing to finance many types of equipment. Some of our largest manufacturers of industrial and farm equipment find it necessary to move into the field, using their own funds to supplement finance companies and bank credit.

For example, it was only a short time ago that trailer sales to common and contract carriers and other companies were largely on a cash basis as far as the seller was concerned. These purchasers were obtaining their credit locally from banks and finance companies, and paying cash for their trailer purchases. Now, however, a high percentage of trailer sales have to be financed by the seller, which is directly or indirectly the manufacturer, simply because these same purchasers cannot obtain credit locally. Heavy tractors follow in this same category and the manufacturers of smaller trucks are getting ready for the inevitable period of a heavy volume of time sales.

Automobile and appliance financing has in no way suffered, at least not up to this time, since both finance companies and banks consider this the best paper obtainable and will throw out all the other paper in order to handle their automobile and appliance business. It has affected wholesale lines, particularly the used car dealers, appliance dealers and distributors, and it has virtually dried up capital loans for the automobile business.

The time is not too far off when this consumer credit shortage will restrict the retail volume of many consumer goods and items, particularly furniture, small appliances, radios, soft goods, etc.; but it will result in very few business failures, nor unduly affect the distribution of our national products.

Installment loans to small business have undoubtedly felt the pinch, because as banks become more and more loaned up, they, too, like the finance companies, become more and more selective; and, accordingly, prefer automobile paper, for example, to the higher risk small business installment loan paper. This is the field where the banks which are trying to cooperate by adopting credit-restraint policies find it most difficult to determine whether or not the credit should be granted or restrained as inflationary.

On the other hand, we must facilitate the distribution of many of the items of the much-needed consumer goods. Frankly, I think all of the restraints that we have seen in this field today are due to credit shortages rather than to patriotic restraints.

I don't mean that banks haven't wanted to cooperate, but by and large all the conservative policies and selectivity that is going on in the extension of consumer credit today is largely one of a credit shortage rather than wanting to do a better job for our country. But even then, I don't think there has been enough restraint, not that the increase in the consumer credit outstanding has been an inflationary factor but rather that our economy and our customers would be better served by financing less. This is no time for heavy personal debt of any kind. Credit should be saved for the more difficult times ahead.

The recent Federal Reserve release on the increase in consumer credit outstanding has been widely publicized, but it only shows $250,000,000 increase in the last six months over the rate of increase the year before when Regulation W was in effect. That is about forty-odd million dollars a month increase over the rate of increase last year. On an annual increase basis that would be $500,000,000, or approximately ½ of 1% of our national income which cannot be a very great factor.

I know, of course, that the $64 question as far as everyone here is concerned is whether or not we are soon likely to have the reimposition of consumer credit controls or other bank credit controls. I think I can definitely say that there is no danger of our getting any of these controls before the next session of Congress following the election. In view of our present military program and our European Recovery Program, I can foresee heavy pressure for the reimposition of consumer credit controls next year. It will, again, be the case of sending out a drummer boy to fight the war instead of adopting the really effective measures that can do the job. If we are diverting too much steel and other raw materials into consumer goods as against military needs, then it is certainly the wrong way to go about changing this condition by trying to reduce purchasing power by curbing consumer credit. If this situation exists, then priorities and allocation, even price controls, would be far more effective. But Congress has the habit of ducking the effective but politically dangerous tools and may well resort to the ineffective means less dangerous politically. Yes, it will take a real fight to prevent the reimposition of Regulation W next year, and I imagine we won't be able to prevent it but I don't foresee the possibility of Congress adopting other credit curbs before then.

Some Advice to Banks

I suddenly realize that during this discussion I have done nothing but remind you of familiar problems, without contributing any constructive suggestions as to their solution; and, frankly, I haven't any. However, I would like to close with some rather general observations:

First—Every bank credit, small or large, should be given a searching analysis as to the possible effects of existing and future government controls and government domestic and foreign policy. Every credit comes within this category.

Second—Business today is generally undercapitalized as a result of high price levels and poor equity capital markets. In an effort to help undercapitalized business handle an unprecedented volume, the banks are simply lending many businesses, particularly medium and small business, too much money; and, as I said before, I think there is a tendency to lend individuals too much money. In the end this over-extension of credit cannot help but hurt the business, the bank, and our economy.

Third—Banks have an obligation to support and strengthen sound national fiscal policy, and to restrain inflation and expansion of private credit while participating fully in any needed expansion of government credit. Moreover, they have an obligation to strengthen their domestic industry, particularly industry of war potential, while minimizing the impact of monetary expansion on the country.

But I have taken too much time and I apologize to Chairman Lacey and Mr. Knapp. I would like to ask your permission for just one more word.

A Roman dramatist named Terence in 185 B.C. said: "Nothing is said now that hath not been said before." Nothing could better illustrate the truth of this observation than the following article which appeared in one of our nation's greatest magazines:

"It is a gloomy moment in history. . . . In France the political caldron seethes with uncertainty; Russia hangs as usual, like a dark cloud upon the horizon of Europe; while all the influence of the British Empire is sorely tried in coping with disturbed relations in China.

"Of our own troubles no man can see the end. . . . And yet the very haste to be rich, which is the occasion of this calamity, has also tended to destroy the moral forces with which we are to resist and subdue the calamity."

The article I have just quoted appeared 91 years ago, Oct. 10, 1857, in "Harpers Weekly," and was reprinted in the June, 1938 issue of the "Readers Digest."

Lindgren With Christopher Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Axel W. Lindgren has become associated with B. C. Christopher & Co., Board of Trade Building, members of the Chicago Stock Exchange. He was formerly with A. H. Bennett & Co. and prior thereto was Kansas City Manager for Slayton & Co., Inc.

McDonald & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Hartwell K. Johnson has been added to the staff of McDonald & Co., 1009 Baltimore Avenue.

With Bache & Co.

(Special to *The Financial Chronicle*)

CHARLOTTE, N. C.—George N. Bass is with Bache & Co., Johnston Building.

International Aspects of Mexican Economy

(Continued from page 12)

which they live. Ours is the noble task of reminding the world that we must return to the principles, unfortunately looked upon by many as out of date and antiquated, of thrift, work and production. Only in that manner can we have peace and prosperity. Utopic experiments, such as we have seen so frequently, in the last twenty years mean, sooner or later, chaos and ruin.

The recent international meeting at Havana, and the one taking place in Bogota, demonstrate that there are many obstacles to overcome in the arduous labor of obtaining economic cooperation between the nations. We must realize that the United States is still a young nation and that, in my opinion, by tradition and for other obvious and very natural reasons, is not as yet perfectly prepared in the psychology of its people, as a whole—although the strong efforts to prepare itself are highly encouraging—to assume the full responsibility of being the bankers of the entire world. On the other hand, we need to exercise clear judgment and thoroughness in the preparation of the projects that we desire to finance through the official institutions of the American Government or through American private enterprise. I can point with pride that in the many official credit transactions between Mexico and the United States of which I have had any knowledge, the projects have been well studied and documented. The same must happen with those of private enterprise because unsound promotions leave a bad taste abroad and cause great damage to the credit of the country.

Mexico already enjoys ample credit abroad to finance self-liquidating operations and for relatively short terms. The important problem, and one which deserves our full attention, is to create a condition of complete confidence that will justify loans on long terms and the investment of substantial capital that, joined with our financial resources, may be used for the development of the country.

There exists in our midst, I think, the erroneous concept that the commercial North American policy is opposed, for reasons of blind selfishness, to our industrialization and development. With all sincerity, and with a profound knowledge of the North-American psychology I can assure you, without fear of contradiction, that this theory is not based upon the facts. To back up this statement I will quote you the words of an outstanding and distinguished figure in the business and political life of our neighboring country. Mr. James A. Farley, Chairman of the Board of the Coca-Cola Export Corporation, said recently in an address entitled "World Trade: On it Depends Prosperity at Home." "The warning that by rebuilding foreign industry we are putting competitors for overseas markets back into business is not valid. The history of the world trade shows that the best customers are those who are able to sell abroad, generally in direct competition with each other. Their industry makes them better customers for their own products as well as the goods of the others."

The people of the United States, as a whole, know full well that the industrialization and the economic development of a nation lift its standard of life and increase its purchasing power. They know, too, that their best customers have always been the more industralized countries such as Great Britain, Canada and others. Therefore, it is to their own selfish interest, if not for reasons of a higher level, to cooperate in increasing our purchasing power by means of our industrialization, as in that manner we shall be better clients.

Bearing in mind the importance of increasing the flow of foreign capital towards Mexico, and to accelerate the development of our international trade, there was created recently a Mexican American Commission of private interests in which are represented the various banking sectors of Mexico. The work of this Commission presents enormous possibilities as it can prepare technical studies and provide exact data, often unknown to the American investors and businessmen, regarding business opportunities here, the protection given by our laws, the advantages of our tax structure as compared to theirs, the freedom of exchange restrictions, the fact that our Government Budget is balanced, and that we have a free gold market, etc., etc. We must let foreign capital know that we prefer to sacrifice ourselves with a strict control of imports and even with an increase in our tariffs, than to devaluate our currency in this critical time, in which, what the world needs most is a period of calm and rest, and not the alarm and lack of confidence that devaluation would bring about. We must insist that the world know that the supreme chief of our Finances, has declared publicly that he believes in a commerce free of restrictions of a permanent nature, and that he has publicly stated that whatever restrictions exist today must disappear as soon as possible. We must give full publicity to the fact that strenuous efforts are being made to balance the international trade of the country so that we may have a favorable balance, and this, in my opinion can be done with relative ease, with a program of intense and well planned development of only two industries: petroleum and tourists. These points were covered with great eloquence by Mr. Antonio Carrillo Flores, President of the Nacional Financiera, in his address delivered last summer, entitled: "Import Restrictions and the Defense of our Currency." We must convince the North American that Mexico has already passed through many experiments of a social and economic order, through which other countries, possibly even the United States may have yet to pass. Therefore, capital invested in Mexico will not be subject to the convulsions and risks which such experiments bring about, for people know here, through their own experience, that we cannot reach Utopia with good intentions, high ideals and fantastic programs, which do not include hard work and solidity.

U. S. Economic Situation

What symptoms of importance are we now observing in the economic situation of the United States and which may have an effect upon the Mexican economy? Has the time arrived for a depression to take place in our neighboring country with its detrimental reaction upon our own? We have already seen an important break during the month of February in the prices of agricultural products and we have seen an increase, perhaps small, but still an increase, in the rates of interest. These symptoms reveal, without doubt, that the price structure and inflation have reached a dangerous point, and that it is urgent that intelligent measures be taken to prevent a debacle in the prices and to promote an orderly readjustment. A well informed source, The Whaley Eaton Service, which publishes a weekly analysis of the situation from Washington, makes the following comments:

"The economy is barricaded against a precipitate collapse. Such a calamity can occur only if mass hysteria whips the nation into a panic. The Washington economists may tear their hair, as once again their prognostications go awry, but the strictly financial agencies, such as the Treasury and the Federal Reserve are not kneeling in fear. On the contrary they begin to see the likelihood of orderly readjustment. They can even hope that the inflationary spiral has reached its top. There has stepped into the situation a law older than Parliaments and immune to tests of constitutionality, namely the judgment of the marketplace as it interprets supply-and-demand in terms of price. Danger lies not in the normal reaction of business to economic fact, but rather in political interference by elements which conceive themselves to be wiser than Providence."

Important cycles of depression come always accompanied by liquidation of credit. That is the way the depressions of 1920 and 1929 started. Today, however, there exists a surplus of credit and currency in circulation, created by the deficit financing of the war. This surplus can be reduced only with favorable Treasury balances, therefore, we cannot expect a sudden or rapid liquidation of credit. It is true that both, the Treasury and the Federal Reserve have been urging the commercial banks to follow a cautious policy and tighten the volume of credit available. There is no doubt that the break in prices earlier this year has proven to bankers the wisdom of such policy.

In view of the fact that the first serious dislocation in the price structure took place in the grain market, it is of interest for us to hear the observations of Mr. H. A. Bullis, Chairman of the Board of General Mills, who is recognized as an authority on the subject, and as a liberal business leader. He said recently, and rightly so, that the principal factors which have contributed to the high price level in the grain markets are: inflation, world chaos, unfavorable crop weather in Europe and the increase in population and consumption in the United States. He points out, on the other hand, that Europe will produce more wheat this and next year; that it is probable that it can be arranged so that Eastern Europe may provide grains to Western Europe; and finally, that it is probable that production in the United States will continue at its highest level. We come then to the conclusions that the readjustment in the price of grains, though intense and severe, is quite normal and should not be interpreted as the first sign of a general crumbling of the price structure.

Mr. Raymond Rogers, noted economist and Professor of Banking at the University of New York, made a recent analysis of the economic situation and has this to say: "The monetary authorities continue to make efforts to reduce the volume of credit, and interest rates are increasing. Prices continue to go higher than the purchasing power of the people and foreign trade, even if the Marshall plan is approved, is bound to decline. These, and many other basic factors point to a downward trend in business. . . . However, there are other powerful forces in the direction of more inflation, such as, the demand for higher wages, and an abundance of credit and money which tend to create a higher purchasing power in the hands of the people." According to Professor Rogers, we must not expect the authorities in Washington to take decisive measures to stop the inflationary movement this year, until the election is over. He seems to think, on the contrary, that additional fuel will be poured on the fires of inflation by reducing the taxes of millions of voters. He says further, and I agree with him: "Let us not again kid ourselves that we can stay in the economic stratosphere forever; sometime we have to come down and pay for our ride. Do not let any one tell you that we are going back to the depression level of the thirties but I do mean that we cannot maintain the 100-yard dash speed of recent months." He concluded his observations stating that fundamentally the economy of the United States is sound but that certain dislocations have to be adjusted.

When is this readjustment to begin? Nobody can answer this question, but it is probable that it has already started and we maybe sure that either now or in months to come the readjustment will take place.

The Department of Economic Affairs of the United Nations completed recently a study on the "Salient Points in the Economic Situation of the World from 1945 to 1947." In this study, the great importance of the international trade of the United States and its impact upon the economy of other countries is clearly stressed. In 1938 the United States was already the largest exporter in the world, and its exports represented 14% of the world's commerce. In 1947 such exports increased two and a half times in volume and five times in value, representing one-third of the world's commerce. A country with such large exports must extend credit and export capital. Mr. Carillo Flores in the address, which I mentioned before, said this:

"The permanent solution, (he refers to the economic dislocation of the world), under the circumstances, can only come from the United States, not because we want to impose upon it an altruistic donors role, but for its own welfare. This idea is gaining ground in well informed circles in the United States." According to Mr. Carillo Flores, the United States must adopt a broad and liberal program of foreign investments. The only alternative is a radical increase in its imports, which he, rightly, considers as improbable.

The problem of the moment in the United States is obviously that the credit expansion caused by war deficit financing has brought about inflation, which, in turn, is so difficult to control. There is a mad race between wages and prices. On the other hand, if, to remedy this danger credit is drastically restricted, it will reduce the productivity of the country, causing unemployment and reducing the nation's income to a precarious level. In other words, we ask ourselves, is another major depression inevitable after this period of inflation and bonanza.

The index of business activity in the neighboring country reveals that, after the readjustment of January and February, there has been a rapid expansion again in the volume of business. Representatives of the American Bankers Association visited 13 important business centers of the country and they found that the main, and almost sole concern of bankers is the problem of inflation. They felt however, according to information published, that they did not expect a serious business reaction before the final months of this year.

Mr. Marcus Nadler, Professor of Finance in the University of New York, and an eminent economic counselor, has expresed the opinion that a readjustment will take place in 1948 and that it should be welcome. He feels, quite naturally, that if inflationary trends continue with the corresponding increase in prices and wages, that the readjustment later on would be more dangerous and severe. A readjustment this year, I think, would not be quite as severe nor quite as long, as there exists a tremendous world demand for all the products, agricultural and industrial, of the United States, and for that matter, of every nation, and there is no unemployment. He expresses the opinion that an economic crisis can only be created, at this time, if the psychology of fear is permitted to prevail.

Increased production, less exports and less buyers, due to the high prices, will arrest the inflationary movement. We must not forget, as we mentioned before, that favorable Treasury balances will serve to reduce the government debt and this in turn, will reduce the volume of credit available.

Three Committees, which include representatives of both political parties, as well as leaders of banking, industry and commerce, have been making an analysis of the economic situation of the United States, to find out just how far they can go in extending financial aid to foreign nations. Their work is of primary importance, because it will serve no good purpose to extend financial help, if by doing so, the source from which it comes is destroyed.

The eminent and erudite economist, John H. Williams, in a most interesting essay published some months ago under the name of "Economic Lessons of Two World Wars," compares the postwar effects of the first war with our present situation. This is most valuable, because there is no better teacher than history, that is, if we have the perspicacity to learn the wise lessons it teaches us.

Dr. Williams thinks that there are three outstanding points of comparison between our situation now and the decade of the twenties. He says: First, "Though food was supplied by relief organizations in the immediate postwar period, no international plan was developed to provide other goods, particularly raw materials, essential for European reconstruction. The problem was not faced as an international issue until the Brussels Conference of October 1922, when the Ter-Mullen Plan for raw material credits was presented, but failed to materialize. Countries were left to obtain raw materials and other needed goods out of their own financial resources and with their international positions already acutely in deficit." American exports, initially very large, underwent a severe decline. Wartime controls in Europe, internal and external, broke down, prices rose violently, the foreign exchanges collapsed, tax receipts declined, while expenditures increased, the deficits being covered by government demands upon the central banks, until government credit collapsed and monetary inflation undermined not only the power to produce, but the social and political fabric of the Continent."

Second, "The reparation payments and war debts helped to complicate an already unbalanced international position."

Third, "The outflow of American capital served as the great counterweight, but I think, it must be concluded, as we look back today, that though our capital exports alleviated the situation they did not give a permanent solution to the difficulties of Europe, as it intensified the economic dislocation and contributed greatly to the intensity of the world depression which took place later."

In the decades of the twenties the United States invested large sums in foreign countries. In the opinion of Dr. Williams: "That was our first experience and we did it badly. The optimism engendered by the long period of prosperity from 1922 to 1929, the high interest rates obtainable, the easy task of salesmanship, destroyed our vision and put the emphasis on the apparent profits rather than in productivity. The event-

(Continued on page 32)

International Aspects of Mexican Economy

(Continued from page 31)

ual losses have been an almost unsurmountable deterrent to further private foreign investment ever since.

"The great dividing line of the inter-war period is the year of 1931. Thereafter, the world increasingly turned its back on the gold standard and multilateral trade. The thirties were a period of greatly restricted international trade and investment. . . . During that period most countries tried to do the impossible, that is, to search for internal stability and security without international trade. We watch it go through its various phases, the leaning towards autarchy, the depreciation of currencies that ended only in a vicious circle, the spread of restrictive trade and currency devices — bilateral clearing agreements, quotas and other direct import controls and exchange controls."

Let us now direct our thoughts to the present problems and compare them with the previous postwar era. Although it may seem impossible to believe it, according to Dr. Williams, there has been an improvement. In the first place, the United States instead of refusing to join the League of Nations, as it did then, has taken an active part in the organization and work of the United Nations. They have demonstrated a prime interest in the world's finances by participating and contributing to the International Monetary Fund and the World Bank, the main purpose of which is to destroy obstacles and bring back to the world a balanced international trade. They have helped to organize and contributed the largest share of the funds for UNRRA; they made the British loan of $3,750 million, and they have expanded the operations of the Export-Import Bank. The American Government has made loans to foreign countries of more than $10 billion and has given more than $5 billion as outright grants. Furthermore, they have taken an active participation in important international problems such as foodstuffs, the atomic bomb and many others.

The reconstruction of the world, in spite of daily alarming news, seems to be on a firmer ground than in the period following the first World War. The restrictions in trade and exchanges, which were established in the decade of the thirties and strengthened during the second World War, have prevented a wild fluctuation in rates of exchange. Dr. Williams tells us that the world has its eyes fixed upon the United States in the hope that that country may maintain its domestic stability and a high level of production and employment. The fear of a major depression in the United States is an obstacle to the success of world reconstruction.

Notwithstanding the fact, that the authorities and the economists in the United States cannot come to a complete understanding as to the manner in which world economic stabilization can be obtained and maintained, it is comforting, according to Dr. Williams, that in spite of inflation and the readjustment which must come, there is a probability, almost a certainty that production and employment will remain at a high level for a long time to come. He ends his observations with the significant and important phrase: "In any event, it does seem clear that the greatest contribution we (the United States) can make toward preserving our kind of economic system, here and elsewhere in the world, will be through the maintenance of a stable and prosperous economy at home, coupled with a liberal and constructive trade and investment policy abroad."

In closing, gentlemen, and basing my opinion on the symptoms of the economic situation in the United States, and backed by the authorities which I have cited, I come to the conclusion that there will not be a crumbling or utter dislocation of the economic structure of the United States, with the corresponding dire consequences that it would bring to our own internal situation and to the world at large. However, we must expect, and we should welcome, a readjustment during the final months of this year and this readjustment, undoubtedly, will be reflected here in Mexico.

In the long run the law of supply and demand will be felt and it will check the forces of inflation, but without taking us back to the economic level which prevailed during the years of 1929 to 1935. We must have faith that this readjustment can be calm and orderly, if we maintain our own economic house in order and our finances on a sound and solid basis. We must never permit the psychology of fear to mold our decisions.

A Proposed Mexican Policy

In view of the foregoing and in order to attract foreign capital to Mexico; to facilitate and expand our international commerce; to foster our industrialization and our agriculture; and for the general welfare of all segments of our national life, I urge the following:

(1) That we give full support to the work of the Mexican-American Investment Commission, which was created some months ago, under the auspices of this Association.

(2) That our public officials and the commercial banks support actively the organization of the proposed Inter-American Bank, with a view to:

(a) The encouragement of foreign capital, which coupled with our own resources, private and governmental, may serve to increase the volume of credit available, at short and long terms, which, in the end, will tend to reduce the rates of interest on loans, with the corresponding benefits to agriculture, commerce and industry.

(b) The financing of a well coordinated plan to irrigate new areas and develop our agriculture.

(c) The financing of a broad program to create new sources of motive power, without which, the country cannot be industrialized.

(3) That we continue working actively toward the creation of a real market for securities, bearing in mind that the ability to liquidate investments is fundamental and that lack of a suitable securities market is one of the obstacles in channeling foreign capital toward Mexico.

(4) That, since the prosperity of the nation and its industrialization depend, to a great extent, upon the efficiency of its means of communication, we should cooperate with the government and we should insist upon a constructive and efficient administration of the railroad system, its modernization and its expansion. We should support to the limit of our resources the building of roads, and the further development of our communications by air and by sea.

(5) Last, but perhaps most important, intense efforts should be continued, even at the cost of great sacrifices, to obtain a favorable balance of trade and thus protect our currency. We must recognize that two industries, petroleum and tourists, are sufficient to reach that goal in a relatively short period of time. Therefore, we should cooperate with the government, and insist upon an accelerated program and a rigid and firm policy, which can overcome all obstacles, and develop these two industries on a sound and lasting basis.

Gentlemen: members of the Mexican Bankers Association, I do not want you to consider these personal observations as an infallible program for the salvation of the country. I do not consider myself capable of giving advice to a group as well prepared, as alert, and as patriotic as you are. Rather, I would want you to think of the ideas which I have expressed, as those of one who is thinking aloud, and who has great faith in the future of Mexico and who has a deep and abiding desire to serve it. I thank you for your attention, and I trust that my thoughts may serve to speed up the vigorous efforts to improve the welfare of all sectors of the country and to guide us all on a firm and solid economic path.

New Draft Law

(Continued from first page)

the National Guard for another and rather long period.

As a member of the National Guard, he would be compelled to attend drill at least once a week and go to summer camp for a matter of 15 days each summer. How will that be possible, if his home and his school are perhaps a hundred miles or more apart? For nine months of the year he would be away at school, and for the other three at home.

Draft Handicaps Students Who Work Their Way Through College

Then again, many young men have to earn all, or at least part, of their expenses in order to go to college, and most students depend heavily on what they can earn by taking a job for the summer. But what employer would want to hire a student for this vacation period if he knew in advance that in the middle of summer the young man would have to go away to camp for 15 days? These are real handicaps. Probably ways can be found to meet them, but fairness to our youngsters dictates that real thought be given to the dilemma of the boys under discussion.

Suggests Students Finish Courses Before Starting Their Draft Period

Frankly, would it not be fairer and much more practical if the prospective draftees were permitted to finish their college courses before being called to the colors? Is there such a rush about this matter of military preparedness that we must disrupt the lives of a whole generation of young men, not only taking two years out of the most important part of their lives, but imposing educational handicaps from which they are likely to suffer for the remainder of their days.

Will Russia Take the 'Draft' Seriously?

The public in general has been led to believe by those who ought to know that there is no immediate fear of war; that the draft is chiefly necessary because of its alleged psychological effect upon Russia, to prevent her from extending her communistic control to other countries. But would our present military policies accomplish this? Is it not possible that the Russians are quite content with any disquieting fears which may exist here, knowing that Communism thrives best on wars and economic dislocations? The same was true of Nazism and Fascism, which thrived in the period between the wars when economic depression, financial collapse and widespread unemployment bred a spirit of hopelessness and discouragement among the people.

Military Hysteria

Our enormous present and prospective military expenditures, and now the draft, are not only upsetting our educational system but are endangering our economic and financial system as well. By piling up debt and taxes, we are increasing the inflationary spiral and doing more to weaken our economy and sow the seeds of communistic discontent than all the Russian propaganda put together. In hysterical panic we seem to be imitating Stalin by militarizing our government, regimenting our people and replacing freedom with a form of totalitarianism.

A Better Way to Avoid War

Communism can best be retarded by keeping our own economy strong, prosperous and free from hampering Governmental controls that war and preparation for war inevitably bring with them.

In our fast-moving technology nothing is more certain than that military equipment will speedily grow obsolete. To build up an enormous army and keep them supplied with up-to-date equipment would mean keeping our country on a permanent war footing, with industry geared to military necessity. How long can even our country stand such a pace, and keep its fundamental freedoms?

Why Penalize the Flower of Our Youth

It may be that this is what "world leadership" imposes, but the parents of the boys who are to be drafted are deeply concerned. One can only hope that our leaders will see to it that policies will be adopted that will minimize the adverse effects of the draft on our boys and that steps will be taken to preclude peace-time training from becoming permanently grafted on our way of life here.

A Fairer and Better Way to Meet The Situation

It is significant that recently the Army has not been accepting men for 18-month enlistments. Such are the demands of modern technical warfare that apparently it does not pay to give full training to men for short periods of service. Would it not be more practical, therefore, and more economical in the long run, to make long-term enlistments more attractive? Would not the interests of this country be better served if we had a fully-trained army of moderate size, but with the best and most up-to-the-minute equipment, always on the alert and ready for instant service, rather than to have many times the number of drafted men with little training and little or no equipment? Would not the holding of the draft act in abeyance, or repealing it entirely, while building up a fully trained army, be a better method of insuring our peace as well as checking Communism?

Trends in Consumer Financing

(Continued from page 4)

although they are opposed to permanent control of consumer credit, they would favor the temporary reinstatement of controls definitely limited as to a period of time. The companies with which these executives are connected operate 316 financing units.

(3) One executive said that he would favor the imposition of permanent credit control.

Thus, it appears that sales finance company executives are overwhelmingly against permanent credit controls, although a substantial number of such executives would not oppose the temporary reimposition of such controls.

Those who oppose credit controls say that they want to be able to extend credit where credit is due without any interference from any government agency or bureaucrat. These men contend that they, as executive officers of their companies, are in the best position to determine credit policy and to define the conditions under which their organizations are willing to extend credit. Moreover, they argue that controls, once imposed, tend to be perpetuated; that once the government gets power, it never wants to let it go.

Those who did not object to the temporary reinstatement of credit controls put their position upon the grounds of expediency—that such controls would curb any tendency to speculate in unsound terms at a time when the prices of consumer durable goods are high and when future uncertainty may exist concerning the peak breaks in such prices. Thus it appears that these executives are thinking in terms of the use of government restraints to contribute to sound investments and to facilitate liquidation.

The attitude of one executive of a large finance company on the subject of credit controls is stated thus:

"The houses that have slashed terms at a time when it was wholly unnecessary to do so have so disgusted many of the other dealers that they are pressing for some restoration of Regulation W. It is a great pity that business seems wholly incapable of regulating itself, thus making for more and more government controls and regimentation of commerce and industry. When we have presumed in trade circles to criticize some of the extreme merchandising practices the answer we get from other houses is that every businessman has the right to sell his merchandise on any terms he sees fit. It is true he has that legal right but sometimes I wonder if he hasn't some moral responsibility to his own industry or perhaps to other industries."

1948 Outlook

Finally and very briefly, what is the general credit outlook for the remaining part of 1948? To this inquiry we shall make only a few general observations. In my opinion:

(1) Inflationary pressures on costs, making for upward pressures on prices, will continue.

(2) At the same time government pressures to constrict the central credit reservoir of our central banking system are likely to continue.

(3) With increasing prices and the current tendency toward a decline in savings among the lower income groups, these groups will turn more and more to credit as a means of procuring the durable goods they desire. This means a continued increase in the dollar volume of credit.

(4) With this upswing in volume, while pressures are being exerted to construct commercial bank credit, the tendency will be for credit agencies, and particularly sales finance companies, to become more selective in their credit risks and also to stiffen their net rates. Increasing costs and difficulties in securing capital resources will make this tendency inevitable.

(5) All in all, however, the remaining part of the year will be a good period in the consumer credit field. Volume will be adequate and earnings should be reasonably good. Nevertheless, this period of sunshine should not lull merchants and credit executives into a false feeling of security. After the sunshine always comes the clouds—and rain.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 4	95.2	96.2	96.6	72.0
Equivalent to—					
Steel ingots and castings produced (net tons)	July 4	1,716,000	1,734,000	1,730,000	1,259,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 19	5,492,350	5,479,600	5,439,200	5,114,500
Crude runs to stills—daily average (bbls.)	June 19	5,566,000	5,592,000	5,507,000	5,076,000
Gasoline output (bbls.)	June 19	17,648,000	17,928,000	17,248,000	15,760,000
Kerosine output (bbls.)	June 19	2,149,000	2,270,000	2,129,000	2,116,000
Gas oil and distillate fuel oil output (bbls.)	June 19	6,758,000	7,143,000	7,106,000	5,882,000
Residual fuel oil output (bbls.)	June 19	8,963,000	8,967,000	9,284,000	8,530,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 19	104,603.000	*105,849,000	106,934,000	90,942,000
Kerosine (bbls.) at	June 19	17,575,000	16,897,000	14,885,000	14,224,000
Gas oil and distillate fuel oil (bbls.) at	June 19	43,783,000	42,288,000	37,333,000	38,469,000
Residual fuel oil (bbls.) at	June 19	58,726,000	57,481,000	54,452,000	49,001,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 19	906,774	906,948	879,158	901,296
Revenue freight rec'd from connections (number of cars)	June 19	710,847	700,630	698,067	715,297
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 24	$160,248,000	$126,883,000	$189,903,000	$143,470,000
Private construction	June 24	96,319,000	67,953,000	99,513,000	69,090,000
Public construction	June 24	63,929,000	58,930,000	90,390,000	74,380,000
State and municipal	June 24	48,395,000	56,560,000	70,636,000	33,488,000
Federal	June 24	15,534,000	2,370,000	19,754,000	40,892,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 19	13,410,000	*13,380,000	13,720,000	12,840,000
Pennsylvania anthracite (tons)	June 19	1,180,000	1,210,000	1,183,000	1,221,000
Beehive coke (tons)	June 19	140,300	145,000	148,200	123,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 19	310	*304	295	256
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 26	5,256,698	5,159,255	5,076,025	4,674,748
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	June 24	111	100	112	60
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 22	3.24473c	3.24473c	3.24473c	2.85664c
Pig iron (per gross ton)	June 22	$40.53	$40.53	$40.53	$33.15
Scrap steel (per gross ton)	June 22	$40.66	$40.66	$40.66	$34.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 23	21.200c	21.200c	21.200c	21.250c
Export refinery at	June 23	21.750c	22.175c	21.625c	21.425c
Straits tin (New York) at	June 23	103.000c	103.000c	94.000c	80.000c
Lead (New York) at	June 23	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	June 23	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	June 23	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 29	100.79	100.98	101.54	103.82
Average corporate	June 29	113.12	113.31	113.31	116.80
Aaa	June 29	117.80	117.80	117.80	121.88
Aa	June 29	115.82	116.02	116.02	120.22
A	June 29	112.37	112.56	112.56	116.41
Baa	June 29	106.92	106.92	107.09	109.42
Railroad Group	June 29	109.24	109.24	108.70	111.25
Public Utilities Group	June 29	113.50	113.70	114.27	118.60
Industrials Group	June 29	1[illegible]41	116.80	117.00	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 29	2.45	2.43	2.39	2.25
Average corporate	June 29	3.00	2.99	2.99	2.81
Aaa	June 29	2.76	2.76	2.76	2.56
Aa	June 29	2.86	2.85	2.85	2.64
A	June 29	3.04	3.03	3.03	2.83
Baa	June 29	3.34	3.34	3.33	3.20
Railroad Group	June 29	3.21	3.21	3.24	3.10
Public Utilities Group	June 29	2.98	2.97	2.94	2.72
Industrials Group	June 29	2.83	2.81	2.80	2.61
MOODY'S COMMODITY INDEX	June 29	434.5	438.0	427.2	401.0
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	June 26	242.9	242.0	238.0	217.4
Fats and oils	June 26	287.8	287.3	279.2	207.3
Farm products	June 26	278.4	276.2	265.9	249.4
Cotton	June 26	348.3	351.9	358.5	356.1
Grains	June 26	266.5	261.6	263.4	256.1
Livestock	June 26	277.8	274.7	257.1	233.1
Fuels	June 26	231.4	231.4	228.6	172.2
Miscellaneous commodities	June 26	176.6	176.9	177.2	161.1
Textiles	June 26	214.6	209.4	214.2	218.6
Metals	June 26	165.9	165.9	165.2	148.7
Building materials	June 26	228.5	230.1	232.9	185.7
Chemicals and drugs	June 26	158.8	158.0	158.6	154.4
Fertilizer materials	June 26	134.6	134.5	136.1	125.5
Fertilizers	June 26	142.9	142.9	143.8	134.6
Farm machinery	June 26	139.4	139.4	139.4	126.6
All groups combined	June 26	227.6	226.6	223.3	197.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 19	173,264	171,337	170,701	166,639
Production (tons)	June 19	182,205	193,156	189,359	182,909
Percentage of activity	June 19	97	101	100	102
Unfilled orders (tons) at	June 19	369,348	380,421	363,959	487,877
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 25	146.9	147.4	146.9	143.2
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 19	165.3	164.9	163.5	147.8
Farm products	June 19	194.5	193.5	189.2	178.7
Foods	June 19	180.7	180.1	177.2	162.6
Hides and leather products	June 19	187.7	186.7	188.6	169.4
Textile products	June 19	148.5	148.8	148.6	138.4
Fuel and lighting materials	June 19	134.0	133.8	133.7	104.5
Metal and metal products	June 19	157.6	157.1	156.6	141.5
Building materials	June 19	197.2	196.9	196.6	176.3
Chemicals and allied products	June 19	136.0	137.1	135.6	124.3
Housefurnishings goods	June 19	145.1	145.1	144.7	131.0
Miscellaneous commodities	June 19	121.1	120.9	121.4	115.8
Special groups—					
Raw materials	June 19	182.7	181.6	178.6	161.5
Semi-manufactured articles	June 19	153.6	153.0	152.5	142.7
Manufactured products	June 19	159.5	159.3	158.7	142.9
All commodities other than farm products	June 19	158.8	158.5	157.8	141.1
All commodities other than farm products and foods	June 19	149.5	149.3	149.2	132.1

*Revised figure.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)			
Production of primary aluminum in the U. S. (in short tons)—Month of April	53,277	51,874	51,077
Stocks of aluminum—short tons (end of Apr.)	9,258	8,423	Not avail.
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC. — 215 CITIES Month of May:			
New England	$15,783,492	$18,839,410	$14,614,828
Middle Atlantic	86,795,445	64,982,146	37,796,356
South Atlantic	30,726,324	45,750,375	24,523,504
East Central	63,359,155	72,955,559	49,480,840
South Central	47,664,798	49,051,107	30,005,541
West Central	22,400,668	22,797,913	12,716,989
Mountain	10,703,903	11,303,521	6,563,655
Pacific	75,605,873	78,773,714	39,634,753
Total United States	$353,039,658	$364,453,745	$215,336,472
New York City	47,943,465	34,559,626	18,971,177
Outside of New York City	305,096,193	329,894,119	196,365,295
COAL EXPORTS (BUREAU OF MINES) — Month of April:			
U. S. exports of Pennsylvania anthracite (net tons)	670,771	604,367	880,317
To North and Central America (net tons)	397,082	377,861	414,794
To South America (net tons)	------	23	11,203
To Europe (net tons)	273,687	226,483	443,271
To Asia, (net tons)	------	------	11,002
To Africa, (net tons)	2	------	47
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES —			
Lint—Consumed Month of May	785,140	829,730	807,135
In consuming establishment as of Apr. 30	2,006,017	2,195,881	1,926,659
In public storage as of Apr. 30	2,232,274	2,860,277	1,842,566
Linters—Consumed Month of April	98,893	97,459	83,423
In consuming establishments as of Apr. 30	250,908	280,544	248,925
In public storage as of Apr. 30	75,816	70,345	71,773
Cotton spindles active as of Apr. 30	21,723,000	21,694,000	21,631,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR — Month of May:			
Earnings—			
All manufacturing	$51.89	*51.68	------
Durable goods	54.91	*54.82	------
Non-durable goods	48.60	*48.26	------
Hours—			
All manufacturing	39.9	40.0	------
Durable goods	40.3	40.4	------
Non-durable goods	39.6	*39.6	------
Hourly earnings—			
All manufacturing	1.299	*1.291	------
Durable goods	1.363	*1.356	------
Non-durable goods	1.229	*1.219	------
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of April:			
Death benefits	$123,590,000	$142,339,000	$112,363,000
Matured endowments	36,706,000	40,157,000	38,468,000
Disability payments	7,963,000	8,356,000	7,583,000
Annuity payments	19,881,000	19,438,000	18,482,000
Surrender values	40,498,000	41,704,000	31,782,000
Policy dividends	44,446,000	55,083,000	41,898,000
Total	$273,084,000	$307,077,000	$250,576,000
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of April:			
Shipments (in pounds)	516,000	460,000	449,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of April:			
Shipments (short tons)	80,602	86,767	81,890
For sale (short tons)	45,941	50,017	47,303
For producers' own use (short tons)	34,661	36,750	34,587
Orders booked, less cancellation for sale (short tons)	42,168	43,921	41,994
Unfilled orders, end of month, for sale (short tons)	199,578	203,351	275,415
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of May:			
Industrials (125)	*5.28	*5.50	*5.35
Railroads (25)	*5.21	*5.55	*6.63
Utilities (25)	*5.80	*5.87	*5.43
Banks (15)	*4.43	*5.50	*4.60
Insurance (10)	*3.09	*3.29	*3.80
Average yield (200)	*5.26	*5.46	*5.37
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.) — Month of May:			
Total number of vehicles	338,531	438,082	382,640
Number of passenger cars	225,461	308,071	284,357
Number of motor trucks	111,789	128,963	96,430
Number of motor coaches	1,281	1,048	1,853
NON-FERROUS CASTINGS (DEPT. OF COMMERCE) — Shipments, Month of April:			
Aluminum (thousands of pounds)	38,269	41,794	41,667
Copper (thousands of pounds)	89,035	96,344	98,253
Magnesium (thousands of pounds)	673	704	684
Zinc (thousands of pounds)	39,070	41,521	40,355
Lead die (thousands of pounds)	1,219	1,482	1,383
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of April (000's omitted):			
Savings and Loan Associations	$313,000	$296,509	$299,690
Insurance companies	82,000	80,974	58,912
Banks and Trust Companies	232,000	228,489	248,907
Mutual Savings Banks	54,000	45,383	44,890
Individuals	181,000	171,571	166,094
Miscellaneous lending institutions	132,000	132,515	122,527
Total	$994,000	$955,441	$941,020
U. S. GOVT. STATUTORY DEBT LIMITATION — As of May 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	252,236,480	252,239,912	258,343,439
Guaranteed obligations not owned by the Treasury	74,596	75,418	177,295
Total gross public debt and guaranteed obligations	$252,311,077	$252,315,331	$258,520,735
Deduct—Other outstanding public debt obligations not subject to debt limitation	828,043	832,390	892,349
Grand total outstanding	$251,483,033	$251,482,949	$257,628,385
Balance face amount of obligations issuable under above authority	$23,516,966	$23,517,059	$17,371,614

*Revised figure.

America's Best Export

(Continued from page 6)

in the sense that we know depressions—no, I can't forecast that.

Now that I've made my gesture toward earning my speaker's fee by giving one fact and one forecast, I'd like to return to my earlier theme: The sale and export of the product you and I, as citizens of this democracy, have for the rest of the world.

Things are curiously reversed in the world as we know it today. It wasn't many years ago that we were looking with scorn upon the Russians and the Communists for their Godless point of view—their materialistic approach to the problems of living. We accused them of selling humanity short when they said that the needs of every man could be fulfilled once he had a full stomach.

It's strange how things have been reversed. Now, America is the land that holds out a promise of a full stomach for men everywhere. Ours is the only country which can even make a start toward providing enough food to feed starving peoples; ours is the only industrial plant which can put the industry of the world back on its feet; we are the great breadbasket of the earth. In this respect, we not only operate in a seller's market, but we have, for the time being, almost a monopoly on the production, distribution and marketing of the product.

We've Stolen Communists' Thunder

In short, we've stolen the Communist's thunder. We can promise a chicken in every pot for men everywhere. And what's more, we can go a long way toward providing the wherewithal to back up that claim.

As a result, the Communists all through Europe today don't promise food to the starving proletarians. They don't promise untold material gain. They can't. Because America is close to being sole source of exportable material well-being.

But, in France today, the Communists have convinced about 25% of the population of the rightness of their cause. And in Italy, in spite of the set-back at the recent elections, the Communists or the Communist sympathizers number over 30% of the pulation. They acquired this following by promising the people something our ancestors fought a war to achieve almost a 175 years ago. They promised the people of Europe liberation from tyranny, and freedom from foreign domination.

I think it's about time we woke up to the realization that we can't rally the people of the world to our democratic cause by promising them just bread. In the long run, we can't buy people's political sympathies with material benefits alone.

This is not to say that we must not pay careful attention to the economic plight of the peoples of the world. All talk about freedom and democracy will fall on unresponsive ears if the person to whom such talk is directed has an empty stomach. The Marshall Plan is a good beginning.

We must stand squarely for assisting those nations which have been devastated by the recent war. We should be ready to assist the development of economically backward areas in every continent of the world. We have to find ways now of extending reciprocal trade between ourselves and at least the other democratic nations of the world. We must work toward an era of increasing productivity, both at home and abroad. And this productivity and development and expansion will bring in its wake an increase in living standards for everyone.

It is important to recognize that the absence of such a program of world-wide reconstruction will leave a vacuum of despair. Such a vacuum will be filled by the disorder and confusion, on which Communism and all forms of totalitarianism thrive.

No more than a few months ago, we learned — or should have learned—a very profound lesson along these lines. I am thinking about the recent election in Italy, in which the moderate, democratic forces won a smashing victory at the polls. As innumerable surveys among the Italian people has told us, they were in a desperate plight at the close of the war. They had great shortages of food, were plagued by runaway inflation, and worst of all, they saw no way out of their miserable plight.

As a result of this depressed state, in the first postwar elections of 1946, the Communists were able to win over 38% of the vote, and became the largest single party in all of Italy.

But, then, in the latter stages of 1946, and through 1947, American aid to the Italians began to pour in. Most important of all, earlier this year, before the election in Italy, we passed the Marshall Plan. The Italians saw some hope for their economic salvation. They saw the means to put themselves back on their feet. They voted the Communists down last April 18 and voted in the moderate Christian Democrats. Our side had won a victory over the forces of despair.

I think there is a very important lesson in the Italian victory. That lesson is this: people who are depressed economically and see no hope for an improvement in their lot any time in the near future provide a fertile ground in which the seeds of Communism can grow. The Communists might not be able to **provide** it, but they are experts at promising a "pie in the sky."

ERP Will Do Job

The recovery and reconstruction program which Paul Hoffman is administrating today, is, I believe, basic to the peace.

But it will do the job only if we back up our own promises. It is easy to say that the Communists promise bread and can't deliver, but what about us if we promise almost $6 billion in aid over the next 15 months and then renege on our promise? Yet this is what is happening today in parts of the Congress. I think believers in democracy owe a great debt of gratitude to Senator Vandenberg for his strong and courageous attempts the past few weeks to keep America's word to the rest of the world.

If we get the aid program off the ground, we will be on our way to winning the peace. But it is important to remember that the European recovery program is just a beginning. It is not an end in itself.

We cannot stop at economic assistance alone. We will have to export more than radios, refrigerators and washing machines.

What kind of other exports?

Well, we have a vast reservoir of things to send abroad. Even now, we ship overseas many things that don't classify strictly as economic goods and services.

I'm sure for example that we export the best brand of bobby-sox ideas the world has ever known. And we export the finest heavy-weight fighters to be found anywhere. We will probably export the ablest Olympic athletes this summer at the games in London. We can even lay claim to exporting a good deal of our culture when "Forever Amber" is reprinted in 37 langues, and disc jockeys the world over play Bing Crosby's records.

Exporting Things Not Bought With Dollars

We export many things which can't be bought with dollars and cents. Even some of our folkways and traditions, ranging from jitterbug contests to marble tournaments. And everything from spelling bees—to our latest novel device, the quiz show. I'm not sure quiz shows don't also come under the heading of materialistic things, what with the person who can name the mystery melody and thus stop the music winning a small, private Marshall Plan all for himself!

We export all these and much more.

But perhaps we have fallen short in exporting the most precious and most abundant and most important asset we possess: human dignity and freedom.

To some people, even here in America, the words freedom and the dignity of the individual have become shop-worn and are passed over lightly—words reserved for the use of political orators or admitted sentimentalists. But, everywhere in the world from the tropics of Indonesia to the battlegrounds of the Middle East to the old capitals of Western Europe and here in our own land, men are stirring in their quest for freedom.

The Communists know this and they talk a great deal about liberation and freedom. We have to do more than talk. We have to show the world that we not only live democracy here at home, but we stand willing to assist all men everywhere who aspire to human dignity. We promised the four freedoms and in a sense we promised One World not so many years ago. The time has come for us to make good that promise—or at least to try harder than we seem to be.

This, I believe, is the greatest selling mission confronting America today.

What have we to offer?

In an election year, we can point to our fair and free elections. We have the right to elect a government of our own choosing. We can keep those who now hold office in power, or we can turn them out for another set of office holders. We can cast a vote for any shade of political opinion. We can mark our ballot for a candidate who might seem to be living back in straight-laced, mid-Victorian days. Or we can vote for the most wild-eyed radical any land has ever seen anywhere. Or we can vote for a half-dozen shades in between. We can vote for the regular parties, the Democrats or the Republicans. Or we can vote for Henry Wallace's party, or the Vegetarian Party, or the Socialist Party, the Socialist-Labor Party, the Prohibition Party, and probably three or four more. And if we don't like any of these candidates, we can, in most states, write in the name of our own nominee. The individual American has the right to hold his own nominating convention and cast his own vote in the secrecy of the polling booth.

Having a free range of choices at the polls is one thing. But perhaps even more important is the fact that whatever party wins the election, the other party is not doomed to extinction. We hold very dearly the right in a democracy to organize an opposition to the governing party. And we will oppose with all our vigor any force which tries to liquidate opposition.

Some of us might take voting as a matter of fact. Or as an obligation to be discharged. The truth is it is a precious privilege.

Free Trade in Ideas

We have a good many other things which the totalitarians cannot offer. We have in this country what Justice Holmes chose to call, "Free trade in ideas." This is an important link in any chain of human freedom. It is something which one-party rulers cannot tolerate. It goes to the heart of our democratic spirit. We may have large "idea" machines which propagandize our people in mass circulation newspapers and magazines. But at least we have more than one of them. And we have them for just about every shade of opinion. You can still buy the "Daily Worker" and the "Wall Street Journal" on the same newsstand in New York City.

We don't have pat answers to every problem which our government hands down to the people as gospel truth—to the exclusion of every other possible point of view. We have one basic "line" which we do insist upon, however. We insist that every man have the right to disagree with the next and that he be free to put forth his own solution to any problem he has in common with his neighbor. We do, of course, ask that this free thought and free speech be responsible. We will send a man to prison who cries "Fire" in a crowded theater.

From the different shades of thinking among our diverse peoples, we come up with common solutions to our problems as a democracy. We come out with a democratic fabric woven by a worker on a machine, and a farmer tilling his crops, and a housewife doing chores for her family and her home, and a student immersed in his studies, and an executive mapping out his sales campaign. We come up with answers which stem from the experience of the people themselves. And out of that experience comes ideas which are swapped and argued and hashed over until finally democracy works.

But with this democratic open hearing and "free trade in ideas" go certain responsibilities. We can afford to wait until everybody has spoken his piece on any subject. But we cannot afford the luxury of inaction or of a lack of moral leadership in the world once the problem is clear.

U. S. Must Lead in Extending Freedom

As a free people, we must take the lead in extending these same freedoms to men everywhere. We must seek abroad the kind of world order which will allow men to live by the basic standards which have given men freedom here in America.

I don't mean by this that unless the Swedes come up with a Frankie Swensen the equal of Frankie Sinatra they can't qualify in the same league. I don't mean that all the people of the earth should overnight become gadgeteers like we are, I don't mean that the Chinese should trade in their rice-eating habits for the meat and potatoes and gravy diet of America.

But to be able to determine for themselves in a fair and free election what form of government they want and to be able to solve their problems in a free market place of ideas, are universal principles toward which all men on earth can aspire. Moreover, I hold that unless such a climate can flourish in at least much of the world, it may not flourish in our part of the world forever. I would state flatly that free communications is the key to peace. It is the one basic means of setting men free.

The United Nations reports that roughly 50% of the world's population is illiterate—they can't read or write. You may justly ask: well, how can these people be communicated with? How in the world can we ever ask these people to make intelligent decisions for themselves? I think there are many ways to tackle this problem. And I think we will ultimately lick it. But, one way I know we will never solve it is to cut off from these backward and underprivileged peoples the free flow of ideas, no matter the form in which they are presented.

Once we cut off the channels of communication between men, we have cut the breath of freedom. Freedom as we know it suffocates when the facts aren't available and when new ideas can't be proposed.

I think there is one idea which is so overriding today that we must push it for all we are worth. There are certain responsibilities that go with living in a democracy. We must show that out of our democratic system we can provide the moral leadership, the statesmanship if you will, to help guide the rest of the world.

This doesn't mean that we are the self-annointed few on earth and are beholden unto ourselves to come up with the only answers there are. But we do have an obligation to provide leadership. Leadership in ideas as well as in loans and gifts of turbo-electric generators and new kinds of fertilizers.

One such commanding idea was Wendell Willkie's concept of One World. In some quarters these days, it is popular to look with scorn on the idea of One World.

We must not be too easily persuaded that the concept of One World must be abandoned because it seems difficult of attainment, or because quite obviously we don't have One World today. It might take us a decade or four decades or a century to achieve One World. The frightening thing is that we now have the knowledge of how to blow our civilization off the face of the map before we reach that goal. That is why time is of the essence.

If we are to have One World, each nation must make one contribution: its national sovereignity. And the one tenet of basic agreement must be freedom of communications.

The market for peace for freedom is one which is always ready to buy. The climate of opinion is ripe for challenging new ideas. After a long depression and an equally long war, the people of the world have lost many of their inhibitions in thinking.

We must step up the tempo of the sales message America has for people everywhere who are hungry for freedom and peace and human dignity. Our Age is marked by jet speed and atomic decisiveness.

We are on the threshold of a great promise. It is a privilege to live in a period when it is possible to achieve it. It is an obligation to help achieve it.

Wm. B. Robinson & Co. Opens

CORSICANA, TEX. — William B. Robinson is engaging in an investment business under the firm name of Wm. B. Robinson & Co. from offices at 111 East Collin.

Wm. Stanwood in Boston

BOSTON, MASS.—William E. Stanwood is engaging in the securities business from offices at 66 Beacon Street. He was formerly with Learoyd & Nightingale, Inc.

Milo Foley, Jr. Opens

LUBBOCK, TEX.—Milo Robert Foley, Jr. is engaging in a securities business from offices in the Lubbock Hotel Building.

Charles Bigley Dead

Chas. W. Bigley, who was with W. E. Burnet & Co., New York City, until his retirement in April, died June 28 at his home.

With Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Harold G. Main is now associated with Paine, Webber, Jackson & Curtis, 605 North Broadway. He was formerly with the Milwaukee Company.

Strength and Weakness of Business Situation

(Continued from page 8)

yet settled with John L. Lewis. If employment holds up, we can be fairly sure that the amount of income derived from wages and salaries and the amount of spending of such wages and salaries will increase and don't forget that wages and salaries make up over two-thirds of the country's total income. Despite the drop in farm prices that we had early this year, farm income is also running ahead of last year. Even that forgotten man of the 1940's, the stockholder, is getting a little better break, at least in terms of dollars, than he has had for a long time.

Capital Expenditures

Now let's turn to another element of strength in the business picture: expenditure by industry for plant and equipment. Considering the under-maintenance of our plant during the 1930's, the depreciation of the war, and the technological improvements that have come along, it is not surprising to find that industry is planning to spend this year more than it did last year for plant and equipment. Moreover, the higher wages go, the more profitable it becomes to introduce labor-saving machinery and equipment of all kinds and this means increased capital investment for business.

Now let's take a look at what the consumer is doing. Many have been impressed by our Federal Reserve department store figures in recent months showing that department store sales are barely holding their own with last year. As we have pointed out in our bank's "Monthly Review" for May, the slowing down of department store sales does not mean that retail sales generally have weakened seriously. Department store sales reflect, for the most part, the sales of the so-called non-durable goods like clothing and shoes. They do not reflect the enormous sales gains made by the durable goods stores—those selling things like automobiles, refrigerators, building materials and hardware, and the like. Retail sales are holding up and even increasing but sales of non-durable goods, and of some durable goods like radios, are only breaking even with last year or in some cases even falling behind last year's volume.

Construction and Housing

Another important element of strength is to be found in construction and housing. For the country as a whole, the number of new homes started so far this year is running ahead of the number started during the same period last year and the tight supply situation for most building materials—or at least the high prices for building materials which reflect the tight supply situation—appears still to be with us.

Reenforcing these elements of strength are two other factors: (1) the expansion of consumer and real estate credit and (2) the faster use of savings accumulated in the past. We do not know when the forces exerted by credit expansion and the use of past savings will be dissipated, but they appear to have enough strength left in them to last for a while yet.

When we review all of these forces working in an upward direction we should not be surprised to note that the drop in wholesale prices, which began in February, did not persist and that prices, including those of automobiles, have subsequently moved up. The cost of living is also continuing its creeping upward movement.

Weak Elements

What about the other side of the picture? I certainly do not have to remind a New England audience of some of the weak elements in the picture, because New Englanders are apt to look first to the gloomy side of things. You have all heard about and noticed consumers' resistance. The women simply aren't spending as much on new clothes this year as they did last, nor are they buying as many new shoes, nor are the men either, for that matter. The principal non-durable lines in New England—textiles, especially woolens, and shoes — have been feeling buyers' resistance for some time. The manufacture of textiles, clothing, and the sale of clothing and textile items at retail have all reflected the weak situation in the non-durable goods industries. Our jewelry industry has fallen behind the procession and so has our machine tool industry. Liquor stores and night clubs, fur coat manufacturers and many other producers or sellers of the so-called luxury goods have already felt a slump.

I have already mentioned the fact that probable too much of current buying is supported by the expansion of credit. The trend of credit sales in the retail stores is up and the trend of cash sales is down. Eventually, we shall face a day of reckoning because we have been living beyond our means. That day may not be close by, however, because we are still selling a smaller proportion of our goods on credit than we did before the war.

Because more and more people are living from hand to mouth, however, and also because of the operation of our tax laws, the rate of saving is going down. It is not surprising, therefore, to find increasing difficulty in financing the purchase of new homes, especially at today's inflated prices. The banks are doing their part by the more judicious financing of real estate to reduce, or at least to moderate, the inflation in that field.

Reversing Order of Strength And Weakness

Although I called some of the inflationary forces elements of strength in the current situation and some of the deflationary forces elements of weakness, actually I think we might well reverse the order. Some elements of weakness, such as the tightening up on credit and the return of real competition in the non-durable goods field are, from a long-run point of view, real elements of strength if we are looking toward the preservation of a stable high volume of business activity. There is nothing that the enemies of our system and our way of life would like more to see than the collapse of business in the United States into a depression. We all have a bigger stake than we realize in the preservation of a high level of business activity in this country and I want to end by saying a few things about what it is within reason for us to do to help preserve a satisfactory level of prosperity.

Importance of Budget Surplus

As much as you and I will dislike it personally, it will be a good thing to have a treasury surplus of receipts over expenditures. If we cannot reduce expenditures—and it seems doubtful that we shall be able to make any very large cuts because of our military and foreign assistance programs—then we shall have to raise more revenue by taxation. This matter of keeping a budget surplus is more important than at first sight it appears to be. It is not only a matter of reducing the public debt, although it should require no argument to demonstrate that if we cannot reduce the public debt in a period of prosperity then it is doubtful that we shall be able to reduce it at any other time. Having a budget surplus is, however, important for another reason. It gives to the Treasury and the Federal Reserve System one of the most important means of checking further inflation, if further inflation should be a problem. It is a means which can be used for this purpose but which does not have to be used for this purpose. It, therefore, gives to the monetary authorities a flexible tool which is more useful under present circumstances than any other at their disposal.

Federal Reserve policy has been successful so far in reducing the speculation in securities which has been a feature of most previous booms and which has helped to bring them to a sudden end. Unlike the days preceding 1929 when the stock market was pumped up by successive injections of credit, credit extended to buy securities today is negligible and the trend has been downward during the last two years. There is certainly less danger now than there has been in past booms that the props will be knocked out from under the level of business because of a sudden liquidation of securities bought on margin by uninformed speculators.

Discourage Credit Expansion

We should discourage, by all means possible, the further expansion of credit to consumers for the purpose of buying durable goods or houses. I cannot understand why, at a time like this, retailers, in particular, do not get rid of the costly practice of subsidizing their charge customers, or at least of forcing their cash customers to subsidize their charge customers. In a great many stores it costs you no more to buy on credit than to buy for cash, but it does cost the store more to sell to you on credit. A study being made by the Vermont Agricultural Experiment Station with the aid of a grant from the Federal Reserve Bank of Boston on the cost of credit extended to farmers by 170 dealers showed that the average cost of credit sales to the stores or dealers was almost 3½ cents on every dollar of sales. Despite this fact, only one dealer in six gave any discount for cash and only one dealer in seven charged any interest on book accounts. Yet without a single exception, and I think this would be true of the great majority of stores in all lines, every dealer interviewed disclaimed all interest in making credit sales and stated that he extended credit only as a means of meeting competition. The retailers of this country could add their support to the anti-inflation program and save themselves money at the same time if they made it attractive for people to pay cash instead of putting it on the cuff.

From what I have said so far, you would be correct, indeed, to infer that I believe it would be desirable for businessmen to continue their reluctance to borrow from banks for the purpose of carrying inventories which they do not absolutely need and that the reluctance of the banks to extend credit for this purpose is wholly commendable.

It would be incorrect, however, to infer from what I have said that business should not expand or modernize. Expansion, soundly based upon careful consideration of long-term trends extending over several years, should, in my opinion, be carried out if permanent financing is available. Likewise, modernization, especially of the type that will save labor and increase labor productivity, is not only desirable but is necessary and should be pushed vigorously. Programs which increase productivity, which increase the amount of production for every dollar spent for wages or raw materials, are not only sound business; they are also desirable means for keeping prices down or reducing them.

Observations

(Continued from page 5)

lower taxes (albeit far milder than the promises made by President Roosevelt and the Democrats in 1932). It is this writer's own conviction, gleaned from Mr. Dewey's past statements and policies and the beliefs of his advisers, that he is far more government interventionist-minded than is generally believed; that we will see as his main purposes the continuation of "the best" of the New Deal's measures but carried out with business-like efficiency, and a housecleaning of the present top-heavy bureaucracy. If this conclusion be deemed unwarranted, let there be a firm statement of the opposite —including willingness to economize courageously and despite likely political unpopularity.

How Much Intervention?

Perhaps it is too much to expect restoration of the convertibility of the currency and the return to a real gold standard (despite the platform's "sound currency" plank). Perhaps it is too much to expect a specific and forthright abandonment of economic management and planning. But the absence of at least some specific and automatically disciplining check on interventionism, as at least a budget to be balanced at all costs—not just when convenient—and a definite program for ending our printing-press creation of money, would breed confidence in the new Administration's willingness to subject itself to an automatic discipline.

We must bear in mind that it is not very far from the tempting expedient of "just a little management if needed" to whole-souled embracing of full-employment-guarantee philosophy, and under-consumption-oversaving and compensatory spending theories. In fact, it can be authoritatively reported that Governor Dewey feels that he has already demonstrated the best side of compensatory spending in his own State, in having piled up large budgetary surpluses and kept the purse-strings fairly tight during recent periods of general prosperity.

A definite stand is also due on such questions as whether the trend of bank credit constitutes an inflationary threat; and in any event whether additional control measures are to be taken. Will the Federal Reserve's demand for reserve control, or the contradictory policy of bond price-support and a low interest rate, be chosen?

Warren

Of course, hope for a steadfast holding-of-the-line against Socialism and government encroachment is not furthered by the addition of Mr. Warren to the ticket, particularly when accompanied by the prospects of greatly-enlarged responsibilities to be conferred on the Vice-Presidential office. His record shows aggressive demands for Federal intervention in housing, and for other vast social benefits on the domestic front, in addition to vigorous furtherance of subsidy abroad—a philosophy which has entitled him to left-wing support for his place on the Democratic as well as Republican tickets in his own State of California.

Under our system of American democracy, as a practical matter the electorate is not given the privilege of designating the policies which the nation shall follow. It can merely choose between the personalities—heavily discounting the previously-made platforms and the campaign speeches of the winners of Party conventions—and attempt to divine more or less intuitively how they will act under the many varied pressures of office.

Important P. S.—Our democracy has, nevertheless, worked!

Looking Through the Crystal Ball

(Continued from page 3)

in bonds, and the red light of this indicator should be respected.

Public Coming In

(3) I am always impressed by the extent to which the public is in the market. During the rise from March into June, the public has been on the *selling* side as evidenced by the odd lot statistics which we compute every day. Hence it is interesting to observe that the trend which had been "minus" for the last two months is beginning to swing over to the "plus" side; in other words, the public is beginning to come into the market just a little bit. That of course does not mean that the market is going to collapse, but it does show that the public is now getting into shape for that second leg of the bull market characteristics of which were discussed a few paragraphs above.

(4) Our recurrent tension with Soviet Russia in Berlin may be a passing phase and yet it may be of sufficient importance to reach a "crisis situation" where it could have a temporary adverse effect on security prices.

(5) Then there is currently ever present that subconscious fear that the Democrats might in desperation try to draft Eisenhower at their convention in July.

(6) It would be my guess that sometime between now and the end of the year, sterling revaluation is not unlikely and the principal commodities to be affected would be those which are world-priced in terms of sterling. When the 16 foreign delegates in Washington have completed their ERP arrangements it will be found that on the surface this country is not too strict about the respective currency controls, leaving it to Great Britain and other countries to decide for themselves when and how revaluation should take place. The pound sterling may struggle along for still another six months but this possibility or rather probability will be hanging over our market for the next 12 months.

Coal Settlement—Not Bullish

(7) Settlement of the soft coal dispute should not be regarded as bullish just because it has been settled; the price that has been paid is considerable. It means higher prices for coal and greater consumers' resistance. Eventually we must reach the point where because of consumers resistance prices cannot go any higher. Once prices start to go the other way and liquidation of labor costs do not go along contemporaneously, most, if not all, coal producing companies could get into very bad shape almost overnight. This pattern can be applied as an object lesson to all other industries. The sellers' market in business and industry is mighty close to being over.

One fundamental characteristic of all stock markets is that drastic declines seldom if ever occur until there has been an excess on the upside. The lack of public participation in the market thus far, indicates a very strong technical situation. "You can't have a hangover without first getting drunk," and thus far the market has barely had one cocktail. So by and large the outlook continues bright but not brilliant.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Affiliated Fund, Inc.
June 10 filed 5,332,673 shares of common stock (par $1.25). **Underwriter**—Lord, Abbett & Co., Inc., New York. Price, at market. **Proceeds**—For investment.

Air Commuting, Inc., White Plains, N. Y. (7/6)
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work.

Air Lanes, Inc., Portland, Me.
April 26 (letter of notification) 10,000 shares of preferred stock and 10,000 shares of common. **Price**—Preferred, $10 per share and common 1 cent. **For plant and equipment** costs and working capital. **Underwriter**—Frederick C. Adams & Co., Boston.

American Bosch Corp. (7/19)
June 2 filed 535,882 shares of class B ($1 par) common stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Bids for the purchase of the stock will be received up to 3:30 p.m. (EDT) July 19 at office of Department of Justice, Office of Alien Property, 120 Broadway, New York.

• American Coach & Body Co., Cleveland, O.
June 23 (letter of notification) option agreement grants Robert W. Hadley a three-year option to purchase 5,056 common shares at $12 per share and a similar option agreement for a like number of shares to Harold F. Smith. **Underwriter**—None named. Options will be sold through McDonald & Co.

• American Plan Discount Corp., Baltimore, Md.
June 4 (letter of notification) 10,000 shares of 6% cumulative non-convertible preferred stock (par $10); 25,000 shares of voting common stock (par $1) and 100,000 shares of class B non-voting non-convertible common stock (par $2). **Underwriters** — None. **Proceeds** — To purchase commercial paper, make small loans, and for incidental expenses.

• American Tobacco Growers Corp., Upper Marlboro, Md.
June 21 (letter of notification) 8,500 shares of 6% cumulative preferred stock (par $10) and 9,500 shares of common stock. **Price**—$110.20 per unit of 10 shares of preferred and 10 shares of common. **Underwriter**—None. **Proceeds** — For the construction and equipping of a tobacco selling warehouse.

Ampal-American Palestine Trading Corp., N. Y.
April 7 filed $10,000,000 10-year 3% sinking fund debentures. **Underwriter**—Name to be filed by amendment, if any is used. **Proceeds** — $5,000,000 in mortgage loans for construction of housing in Palestine, $2,500,000 in loans to transportation and industrial cooperatives, and $2,200,000 in loan to Solel Boneh, Ltd., for public works.

Bareco Oil Co., Tulsa, Okla.
June 7 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$8 per share. **Underwriter**—Kebbon, McCormick & Co.

Barlow & Seelig Manufacturing Co., Ripon, Wis.
May 24 (letter of notification) 8,820 shares ($1 par) common stock. **Price**—$8 per share. **Underwriters**—McMaster Hutchinson & Co. and Charles W. Brew & Co.

• Batesville Telephone Corp., Batesville, Ind.
June 25 (leter of notification) $200,000 of 4½% first mortgage sinking fund bonds, due July 1, 1973. **Underwriters**—City Securities Corp. and Engineers, Inc. **Proceeds**—To redeem outstanding 5% first mortgage bonds and to pay for improvement program.

• Bellevue Mountain Development & Power Co., Carson City, Nev.
June 24 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Berry (D. N.) Co., Denver, Colo.
May 27 (letter of notification) 133,000 shares of common stock. **Underwriter**—John G. Perry & Co., Denver. For working capital.

California Liberty Mines Co., Carson City, Nev.
June 14 (letter of notification) 50,000 shares of common stock (par $1) to be offered publicly at $5 per share, and 250,000 shares to be issued to the organizer and promoters for securing the lease and option to purchase the mining properties of the company. **Underwriters** — Le Fevre MacClain and George B. Muser. **Proceeds**—To develop claims.

• Cal-Tex Oil Corp., Stockton, Tex.
June 24 (letter of notification) 50,000 shares of common stock. **Price**—At par ($2 per share). **Underwriter**—None. **Proceeds**—For drilling.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co., Dewar, Robertson & Pancoast. **Proceeds**—For property additions and expenses. On April 15, SEC denied effectiveness of registration statement.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages. Expected by mid-July.

Chemical Fund, Inc., New York
June 4 filed 669,975 shares of common capital stock, ($1 par). **Underwriter**—F. Eberstadt & Co. Inc. **Proceeds**—For investment. **Price**—Market.

Clinton (Mich.) Machine Co.
April 15 (letter of notification) 10,000 shares of stock to be sold at $5⅛ each (market price), for selling stockholder. **Underwriter**—Charles E. Bailey & Co., Detroit.

• Coleman-Pettersen Corp., Cleveland, Ohio
June 21 (letter of notification) 3,330 shares of common stock (no par). **Price**—$8 per share. **Underwriter**—None. **Proceeds**—No purpose given.

• Commonwealth Edison Co., Chicago, Ill.
June 29 filed $50,000,000 first mortgage bonds, series N, due June 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc., Glore, Forgan & Co. and The First Boston Corp. **Proceeds**—For working capital to be used for construction.

• Community Loan & Finance Co., La Crosse, Wis.
June 1 (letter of notification) 2,000 shares of 5% cumulative first preferred stock 731 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To reduce bank loans, etc.

• Crompton Co., West Warwick, R. I.
June 25 (letter of notification) 2,128 shares of common stock (no par value). **Price**—$60 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc. Being placed privately.

Dehydrating Process Co., Boston, Mass.
June 21 (letter of notification) $300,000 of 15-year 5% debentures, dated July 1, 1948. **Underwriter**—None. **Proceeds**—For new plant and working capital.

Equitable Gas Co., Pittsburgh, Pa. (7/7)
May 6 filed $14,000,000 first mortgage bonds, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—$14,000,000 of proceeds, plus 563,000 shares of new common stock, will be delivered to the Philadelphia Co. in exchange for natural gas properties now under lease, outstanding capital stock of Equitable, notes and other claims owed to the Philadelphia Co. and to the Pittsburgh and West Virginia Gas Co. Expected about July 7.

Equity Fund, Inc., Seattle, Wash.
June 9 filed 400,000 shares of common stock (par 20c). Price, at market (about $4.39). **Underwriter** — Pacific Northwest Co. **Proceeds**—For investment. Company is an open-end management investment company.

• Exeter & Hampston Electric Co., Exeter, N. H.
June 24 (letter of notification) 8,125 shares of common stock (par $20). **Price**—$33 per share. **Underwriter**—None. **Proceeds**—For additions, extensions and improvements to plant and to pay present short-term notes totaling $130,000.

First Guardian Securities Corp., New York City
June 4 filed 36,000 shares of 5% cumulative convertible preferred stock ($25 par) and 172,000 shares ($1 par) common stock. (72,000 shares of common to be reserved for conversion of the preferred.) **Underwriter**—None. **Price**—$25 a share for the preferred and $10 for the common.

• Flaks Merchandise, Inc., Denver, Colo.
June 23 (letter of notification) $300,000 of 5% serial debentures. **Underwriters**—Peters, Writer & Christensen, Inc. and Sidlo, Simons, Roberts & Co. **Proceeds**—To pay off bank loans and for working capital.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

Fundamental Investors, Inc.
June 15 filed 750,000 shares of capital stock (par $2). **Underwriter** — Hugh W. Long & Co., Inc. **Price** — At market. **Proceeds**—For investment.

General Builders Supply Corp.
June 21 filed 40,000 option warrants to purchase common stock. Holders propose a public offering of such warrants. The options were first acquired by Allen & Co., underwriters, pursuant to an agreement with 23 stockholders of the company at 10 cents per warrant on May 29, 1946. Later 8,000 options were transferred at 15 cents per warrant to Allen & Co. associates. Warrants are exercisable on or before June 30, 1950, at $4 per share. The company will receive none of the proceeds.

• General Plywood Corp., Louisville, Ky.
June 25 filed 100,000 shares of 5% cumulative convertible preferred stock (par $20). A firm commitment has been entered into with a group of underwriters covering half of the shares, and these, together with the balance of the stock, will be publicly offered after the registration statement has become effective. **Underwriters**—F. S. Yantis & Co., Inc., W. L. Lyons & Co., H. M. Byllesby & Co., J. C. Bradford & Co., Crowell, Weedon & Co., Cruttenden & Co., Martin, Burns & Corbett, Inc., Berwyn T. Moore & Co., Inc., Mullaney, Wells & Co., William R. Staats & Co., Van Alstyne, Noel & Co., Dempsey & Co., A. G. Edwards & Sons, Herrick, Waddell & Reed, Inc., Hickey & Co., Mason, Moran & Co., O'Neal-Alden & Co., Inc., Wilson-Trinkle & Co., Inc. and Holton, Herrington, Farra Co. **Proceeds**—To reimburse the company's treasury for expenditures made in connection with the building and equipping of their new veneer and plywood plant at Savannah, Ga., the cost of which was approximately $1,650,000.

Glidden Co., Cleveland
June 18 (letter of notification) 2,500 shares of common stock (no par value). **Underwriter**—The Chicago Pneumatic Tool Co. plans to buy issue for resale. **Purpose**—Issued in part payment of purchase price of certain real estate.

Globe-Wernicke Co., Norwood, O.
June 11 (letter of notification) 42,410 shares of common stock (par $3.50) to be offered to common stockholders on the basis of one new share for each six shares held. **Price**—Par. **Underwriter**—None. **Proceeds**—To redeem part of preferred stock.

• Gulf States Coffee-Cola Co., Hattiesburg, Miss.
June 28 (letter of notification) 25,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital.

• Hawaiian Electric Co., Ltd., Honolulu (8/2)
June 29 filed 50,000 shares of series D cumulative preferred stock (par $20) and 100,000 shares of common

NEW ISSUE CALENDAR

July 2, 1948

Plywood, Inc.	Common

July 6, 1948

Air Commuting, Inc.	Capital

July 7, 1948

Equitable Gas Co.	Bonds
New Jersey Power & Light Co., Noon(EDT)	Bonds
Northern States Power Co. (Minn.)	Bonds
Pennsylvania RR., Noon (EDST)	Equip. Tr. Ctfs.
Public Service Electric & Gas Co.	Preferred
Wheeling & Lake Erie Ry., Noon (EDT)	Equip. Tr. Ctfs.

July 8, 1948

United States Television Mfg. Co.	Common

July 13, 1948

National Fuel Gas Co.	Debentures
New Jersey Bell Telephone Co.	Debentures

July 15, 1948

Roosevelt Oil & Refining Co.	Pfd. & Com.
Tanner & Co.	Preferred
Westinghouse Electric Corp.	Debentures

July 19, 1948

American Bosch Corp., 3:30 p.m. (EDT)	Cl. B Com.
Shoe Corp. of America	Preferred

July 20, 1948

Kresge (S. S.) Co.	Common
New England Power Co.	Bonds

July 22, 1948

Old North State Insurance Co.	Capital

August 2, 1948

Hawaiian Electric Co., Ltd.	Preferred

August 3, 1948

O-Cel-O, Inc.	Pfd. & Com.

August 4, 1948

McCall Corp.	Common

stock (par $20). **Offering**—To be offered common stockholders at the rate of one additional common share for each 3½ shares held and one share of preferred for each seven common shares held. **Price**—Par in each case. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. **Proceeds**—To pay off short-term promissory notes and the balance for construction.

● **Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.**
June 25 filed 2,041 shares of class A common stock and 5,000 shares of class B common stock. **Price**—At a proposed maximum offering price of $100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

● **Heyden Chemical Corp., New York, N. Y.**
June 29 filed 59,579 shares of cumulative preferred stock (no par) to be offered common stockholders in the ratio of one share of preferred for each 20 shares of common stock held. **Price**—By amendment. **Underwriter**—A. G. Becker & Co. will acquire the unsubscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities.

● **Hunt Machine Works, Inc., Greenville, S. C.**
June 21 (letter of notification) $300,000 of 5½% serial sinking fund coupon debentures (convertible). **Price**—At par. **Underwriters**—Frank S. Smith & Co., Inc.; Alester G. Furman Co.; McAlister, Smith & Pate, Inc.; H. T. Mills; W. F. Coley & Co.; V. M. Manning; McCarley & Co.; G. H. Crawford & Co.; and Thos. L. Lewis. **Proceeds**—To fund present unsecured bank indebtedness and for additional working capital.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Illinois Bell Telephone Co., Chicago, Ill.
June 4 filed 389,995 shares of capital stock (par $100). Underwriter, none. **Offering**—To be offered pro rata for subscription by shareholders of record June 2. American Telephone and Telegraph Co. (parent) will purchase 387,295 shares. **Proceeds**—To pay advances from American Telephone and Telegraph, its parent; any remainder of proceeds will be used in improving telephone plant.

● **Illinois Power Co., Decatur, Ill.**
June 30 filed 690,098 shares of common stock (no par value). To provide for conversion of 345,049 shares of outstanding 5% cumulative convertible preferred stock (par $50) which the company intends to call for redemption at $52.50 per share and accrued dividends. Each preferred share is convertible into two common shares. Public offering is contemplated of the common stock not issued in conversion. Underwriting and offering price to be filed by amendment. **Proceeds**—To redeem the preferred stock and for construction.

Indiana Gas & Water Co., Inc., Indianapolis, Indiana
June 21 filed 60,000 shares of additional common stock ($10 par) to be offered to its stockholders on the basis of one new share, at $12.50 per share, for each 10 shares now held. The company's parent, Public Service Co. of Indiana, plans to acquire only 62 of the 26,701 shares to which it would be entitled, but has agreed to purchase all shares not otherwise subscribed for by stockholders. Stockholders, other than Public Service Co., will be entitled to buy the additional 26,369 shares of Public Service at the rate of 9/50 of a share for each share held on the record date, July 2. **Proceeds**—For construction.

Irwin-Phillips Co., Keokuk, Iowa
June 1 (letter of notification) 10,000 shares of 5% cumulative participating preferred stock ($10 par) to be sold on behalf of three stockholders. Price, par. **Underwriters**—Slayton & Co. have been employed as agents to sell the issue.

Kay Jewelry Co. of San Jose, Calif.
June 16 (letter of notification) 500 shares of class A preferred stock (par $100), 1,000 shares of class B preferred stock (par $100) and 10,000 shares of common stock (par $1). **Underwriter**—None. **Proceeds**—To establish a jewelry store.

Keller & Co., Inc., Boston, Mass.
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. **Proceeds**—For working capital and other corporate purposes.

Kennedy Systems Corp. of Tennessee, Memphis, Tenn.
June 9 (letter of notification) 29,500 shares ($10 par) preferred stock and 89,500 shares (1c par) common stock. No underwriter. Preferred and common (29,500 shares) will be sold in units of one share of each at $10.01 per unit and 60,000 common shares will be sold to officers and directors. To start industrial loan business.

● **Kent-Moore Organization, Inc., Detroit, Mich.**
June 29 filed 56,000 of common stock (par $1). **Price**—$7.50 per share. **Underwriter**—George A. McDowell & Co. **Proceeds**—To certain principal stockholders.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

● **Kresge (S. S.) Co., Detroit, Mich. (7/20)**
June 29 filed 167,955 shares of common stock (par $10), of which 27,955 are for account of the company and 140,000 shares for account of the estate of Anna E. Kresge. **Price**—By amendment. **Underwriters**—Lehman Brothers and Watling, Lerchen & Co. **Proceeds** — Of 27,955 shares for general corporate purposes.

Kullman Dining Car Co., Inc., Harrison, N. J.
June 21 (letter of notification) 1,500 shares of $5 cumulative preferred stock (no par value). Purchaser of each five shares will be entitled to a certificate entitling him to a credit of $100 against the purchase of a new dining car manufactured by the company, or against repair work or alterations performed by the company for the purchaser. Credit certificates issued to any one purchaser of said preferred stock shall be limited to a total of $1,000. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For expansion of manufacturing facilities.

Lawrence Warehouse Co., San Francisco, Calif.
June 18 (letter of notification) 10,000 shares of 6% cumulative convertible preferred stock (par $25), and 4,000 shares of common stock (no par), to be reserved for conversion of said preferred stock on the basis of one share of common for each 2½ shares of preferred. **Price**—At par for preferred stock. **Underwriter**—Wagenseller & Durst, Inc.; Bingham, Walter & Hurry, and Lester & Co. all of Los Angeles. **Proceeds**—To retire bank loans.

McAleer Manufacturing Co., Rochester, Mich.
June 15 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$5.50 per share. **Underwriter**—C. G. McDonald & Co. **Proceeds**—No purpose given.

● **McCall Corp. (8/4)**
June 24 filed 87,167 shares of common stock (no par value) to be initially offered to common stockholders of record July 20, 1948 on basis of one new for six shares held. Warrants will be transferable and will expire Aug. 3. **Underwriter**—White, Weld & Co. **Price**—By amendment. **Proceeds**—With a $2,500,000 20-year 3% bank loan, to pay bank loans, to restore the working capital position of the company and to provide funds for expansion.

● **Maduff Electric Corp., Los Angeles, Calif.**
June 21 (letter of notification) $75,000 of 6% notes. **Underwriter**—None. **Proceeds**—For working capital.

Masco Screw Products Co., Detroit, Mich.
June 4 (letter of notification) 141,600 shares ($1 par) common stock. **Price**—$1.75 per share. Offered to stockholders of record May 22 in ratio of one new share for each 2½ shares held. Rights expire July 10. Unsubscribed shares are to be offered to public at current market price then prevailing on the Detroit Stock Exchange. **Underwriter**—None. **Proceeds**—To repay a loan and for working capital.

● **Midwest Packaging Materials Co., St. Louis, Mo.**
June 25 (letter of notification) 3,500 shares of common stock (par $5). Price—At market. **Proceeds**—For benefit of Ira B. Rosenblum. **Underwriter**—Edward D. Jones & Co.

● **National Electric Products Corp., Pittsburgh, Pennsylvania**
June 23 (letter of notification) 2,000 shares of common stock (par $50). **Price**—$37.50 per share. **Underwriter**—Singer, Deane & Scribner. **Proceeds**—To executors of an estate.

National Fruit Product Co., Inc., Winchester, Va.
June 15 (letter of notification) 30,000 shares of common stock to be offered publicly. **Price**—Par ($10 per share). **Underwriter**—None. **Proceeds** — For plant expansion and increase of working capital.

National Fuel Gas Co., New York (7/13)
June 4 filed $13,500,000 sinking fund debentures, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. and Glore, Forgan & Co.; Goldman, Sachs & Co. and Lehman Brothers (jointly). **Proceeds**—To purchase 320,000 additional shares of United Natural Gas Co. common stock ($25 par), and to purchase 48,500 additional shares of Iroquois Gas Corp. Expected about July 13.

National Securities & Research Corp.
June 17 filed 38,700 shares in First Mutual Trust Fund (par $1). **Underwriter**—National Securities & Research Corp. **Price**—At market. **Proceeds**—For investment.

● **National Securities & Research Corp.**
June 7 filed 500,000 shares of 21 separate funds in the National Securities series, viz: Bond series, Low-Priced Bond series, Institutional series, Balanced series, Preferred Stock series, Income series, Stock series, Speculative series, Selected Groups series, Industrial Stocks series, Low-Priced Common Stock series, Automobile series, Aviation series, Building series, Chemical series, Metal shares, Oil shares, Railroad shares, Railroad Equipment shares, Retail Trade shares and Steel shares. **Price**—At market; aggregate amount not to exceed $4,935,000. **Underwriter**—Sponsored by depositor. **Proceeds**—For investment.

New England Power Co. (7/20)
June 22 filed $11 million first mortgage bonds, series B, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders include—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To purchase properties of the Bellows Falls Hydro-Electric Corp., to purchase that portion of the New Hampshire section of the Bellows Falls-Pratts Junction line owned by the Connecticut River Power Co. and for repayment of bank loans. Expected about July 20.

New Jersey Bell Telephone Co. (7/13)
June 11 filed $55,000,000 40-year debentures, due July 15, 1988. **Underwriters** — Name to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To pay off advances made by American Telephone & Telegraph Co. (parent) for construction and general corporate purposes. Expected about July 13.

New Jersey Power & Light Co. (7/7)
June 8 filed $6,000,000 first mortgage bonds, due 1978. **Underwriting**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. **Proceeds**—For construction and improvement of property. Expected about July 7.

North Canadian Oils Limited, Calgary, Alberta
March 11 filed 903,572 shares (no par) common stock. **Price**—70 cents each. **Underwriter**—F. H. Winter & Co., New York. **Proceeds**—875,000 shares being sold by company and 28,572 by stockholders. Proceeds for purchase of property and drilling.

North Inca Gold Mines, Ltd.
March 10 filed 666,667 shares of common stock (par $1). **Underwriter**—Transamerica Mining Co., Ltd., Toronto. Proceeds for exploration and development.

Northern States Power Co. (of Minn.) (7/7)
June 3 filed $10,000,000 first mortgage bonds, due July 1, 1978, and 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Smith, Barney & Co. (stock only); Lehman Brothers and Riter & Co. (jointly both issues); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. (bonds only); Kidder, Peabody & Co. and White, Weld & Co. (jointly on bonds). **Proceeds**—For construction and to pay off bank loans. Expected about July 7.

● **O-Cel-O, Inc., Buffalo, N. Y. (8/3)**
June 24 (letter of notification) 3,000 shares of preferred stock (par $45) and 6,000 shares of common stock (par $1) to be issued in units of one share of preferred and two shares of common to be offered pro rata to common stockholders of record July 2, 1948, at $50 per unit. Rights expire Aug. 2. Corporation will also offer pro rata to the common stockholders who exercise said right any units offered but not purchased by other stockholders. **Price**—Preferred at $45 per share and common at $2.50 per share. **Underwriter** — None. **Proceeds** — For expansion of plant facilities for the manufacture and sale of cellulose products.

● **Old North State Insurance Co., Greenville, S. C. (7/22)**
June 24 filed 100,000 shares of capital stock (par $5). **Price**—$15 per share. **Underwriter**—First Securities Corp, Durham, S. C. **Offering**—26,667 shares will be initially offered on a "when, as and if issued" basis; 13,333 shares will be purchased by underwriter for public or private offerings; and the remaining 40,000 shares will be publicly offered on a "best efforts basis" on completion of the subscription of the first 40,000 shares and the company's receipt of a license to do business in

(Continued on page 38)

(Continued from page 37)

North Carolina. **Proceeds**—For general business purposes.

Pacific Telecoin Corp., San Francisco, Cal.
June 10 (letter of notification) $300,000 4½% equipment trust certificates, series A, dated July 1, 1948, and due July 1, 1951. **Underwriters**—Gearhart & Co., Inc., and Paul D. Sheeline & Co. For equipment.

Pacific Telegraph & Telephone Co., San Fran.
May 28 filed 601,262 shares ($100 par) common stock Underwriting, none. **Offering**—Holders of preferred and common stockholders of record June 15 are given rights to subscribe on or before July 7 at $100 per share to the extent of one share for each six shares of preferred or common held. **Proceeds**—To reimburse company's treasury for additions, etc.

Pacific Western Oil Corp., Los Angeles
May 21 filed 450,227 shares ($10 par) capital stock. **Underwriting**—None. **Offering**—To be offered by the owner, J. Paul Getty, President of the Company, from time to time on the floor of the New York Stock Exchange, or "to specific persons, firms or corporations," in sales outside the Exchange. **Price**—At approximate market.

● **Pennsylvania Industries Corp., Pittsburgh, Pa.**
June 24 filed 214,987 shares common stock (par $10) to be exchanged for the stock of Pennsylvania Industries, Inc. (old company), viz: 21,190 shares in exchange for old company common stock and 193,797 shares will be offered by the old company to the holders of its outstanding $6 cumulative preferred stock.

● **Phaneuf Hospital, Inc., Brockton, Mass.**
June 22 (letter of notification) 1.200 shares of common stock and 600 shares of preferred stock. **Price**—$100 per share for both stocks. **Underwriter**—None. **Proceeds**—To enlarge and equip hospital and for furnishings.

● **Philadelphia Suburban Transportation Co., Upper Darby, Pa.**
June 24 (letter of notification) 6,000 shares of 5% cumulative preferred stock. **Price**—At par ($50 per share). **Underwriter**—Wright, Wood & Co. **Proceeds**—To Acquire common stock of Philadelphia & Western RR.

● **Plymouth Rubber Co., Inc.**
June 18 (letter of notification) 1,000 shares of common stock. **Price**—$5.12½ per share. **Underwriter**—John B. Dunbar & Co., Los Angeles, Calif. **Proceeds**—To selling stockholders.

Plywood, Inc., Detroit, Mich. (7/2)
June 17 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$3.12½ per share. **Underwriter**—Baker, Simonds & Co. **Proceeds** — To go to John C. Emery, Jr., selling stockholder.

● **Portsmouth Finance Co., Portsmouth, Va.**
June 23 (letter of notification) $25,000 of 4½% 10- year income bonds, due June 1, 1958. **Underwriter**—Virginia Securities Co. **Proceeds**—For working capital.

Powder River Oil Co., Denver, Colo.
May 11 (letter of notification) 400,000 shares (10¢ par) common stock. **Price**—25 cents. **Underwriter** — R. L. Hughes and Co., Denver. For working capital.

Public Service Electric & Gas Co. (7/7)
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.: The First Boston Corp.; White, Weld & Co. and Union Securities Corp. (jointly). **Proceeds**—For property additions and improvements. Expected about July 7.

● **Radio Systems, Inc., Cleveland, O.**
June 24 (letter of notification) 17,500 shares of common stock (par 50¢). **Price**—10,000 shares will be sold to public at $7 per share; balance reserved for options to officers, directors and employees; 3,000 shares at $3.50 per share and 4,500 shares at $7 per share. **Underwriter**—None. **Proceeds**—To meet operating expenses and replenish working capital.

● **Red Rock Bottlers, Inc., Atlanta, Ga.**
June 23 (letter of notification) 45,327 4/7 shares of common stock. Warrants will be issued to common stockholders evidencing right to subscribe to one share of common stock for each seven shares held as of record June 30, 1948. **Price**—$4.50 per share. **Underwriter**—None. **Proceeds**—For working capital.

Republic Aviation Corp., Long Island, N. Y.
June 4 filed 42,000 shares ($1 par) common stock, issuable upon the exercise of stock options. Options for this stock, exercisable at $7.25 per share, are held by eight individuals and the estate of another, now deceased. For general funds.

Riley Stoker Corp., Worcester, Mass.
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co.

Roosevelt Oil & Refining Corp., Mount Pleasant, Michigan (7/15)
June 22 filed 135,000 shares of 6% cumulative convertible preferred stock (par $12.50) and 242,000 shares of common stock (no par value). **Offering**—All of the preferred shares and 44,000 common shares are to be offered publicly, 135,000 common shares to be resumed for conversion of preferred stock and the remaining 63,000 common shares are to be purchased principally by officers and employees. **Underwriter**—F. Eberstadt & Co. **Proceeds**—Plus a $1,300,000 bank loan to acquire 168,422 shares of $1 par Roosevelt Oil Co. common stock at $9.04 per share, 2,500 shares of Simrall Corp., no par capital stock, at $444.45 per share, and 1,000 shares of C. L. Maguire, Inc., no par common stock, at $631.45 per share, for a total consideration of $3,265,110. Expected about the middle of July.

● **Sanger Bros., Inc., Dallas, Tex.**
June 25 (letter of notification) 2,000 shares of common stock (par $2.50). **Price**—At market (about $11.25 per share). **Underwriters**—Walker, Austin & Wagener and Stifel, Nicolaus & Co.

Savoy Oil Co., Inc., Tulsa, Okla.
June 8 filed 150,000 common shares (25¢ par). **Underwriting**—None. **Offering**—Stockholders are to be given rights to subscribe to 100,000 new shares at the rate of two-thirds of a share for each share held. The other 50,000 shares will be issued to officers and others at $2.50 per share upon the exercise of warrants. An unspecified number of shares may or may not be offered for sale to the public. Price by amendment. **Proceeds**—To be added to the general funds of the company.

● **Science Research Associates, Inc., Chicago, Ill.**
June 25 (letter of notification) 330 units (each unit consisting of one share of preferred stock (par $100) and one share of common stock (par 10¢). **Price**—100.10 per unit. **Underwriter** — None. **Proceeds** — For working capital.

● **Shoe Corp. of America, Columbus, Ohio (7/19)**
June 28 filed 25,000 shares of cumulative preferred stock (no par), with class A common share purchase warrants attached. **Underwriter**—Lee Higginson Corp. **Proceeds**—For general corporate purposes.

Southeastern Public Service Co.
June 10 (letter of notification) 76,032 shares of capital stock (par 10¢), reserved for issuance against 76,032 stock purchase warrants, issued or issuable to holders or former holders of common stock of the Southeastern Corp. dissolved June 27, 1947. Warrants are exercisable between July 1, 1948-June 30, 1953, and holders may purchase one share of stock for each warrant held at $3.50 per share.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

Steak 'n Shake, Inc., Bloomington, Ill.
Feb. 2 filed 40,000 shares of 50c cumulative convertible participating preferred stock, ($1 par) and 160,000 shares (50c par) common stock, of which 40,000 will be sold and the remainder reserved for conversion. Underwriter—White & Co., St. Louis, Mo. Price—$8 for the preferred stock and $2.50 for the common. This stock is being offered by stockholders who are members of the Belt family.

Tabor Lake Gold Mines, Ltd., Toronto, Canada
April 2 filed 300,000 shares (par $1) preferred stock. Underwriter—Mark Daniels & Co., Toronto, Canada. Price—60 cents a share. Proceeds—For mine developments.

Tanner & Co., Indianapolis, Ind. (7/15)
June 15 (letter of notification) 3,000 shares of 5½% cumulative preferred stock (par $100). Holders of 492 shares of presently outstanding 6% cumulative preferred stock will be offered in exchange 492 shares of the new 5½% preferred stock, share for share. **Price**—Par and accrued dividends. To be offered in Indiana only. **Underwriter**—City Securities Corp. **Proceeds**—To retire $225,000 of promissory notes and for working capital.

● **Television Fund, Inc., Chicago, Ill.**
June 24 filed 4,987,500 shares of common stock. **Price**—Proposed maximum aggregate offering price to the public, $48,927,375. **Proceeds**—To invest in securities of companies in the field of television, radio and electronics.

Texas Union Oil Corp., Houston, Texas
June 18 (letter of notification) 800,000 shares of common stock (par 10¢). **Price**—37½¢ per share. **Underwriter**—Stewart J. Lee & Co. **Proceeds**—For organizational expense, equipment, cost of drilling four wells and working capital.

Union-Standard Oil Co., Inc., Salina, Kan.
June 11 (letter of notification) $250,000 of common stock. No underwriter. To drill test well.

United Air Lines, Inc., Chicago
June 7 filed filed 369,618 shares ($10 par) common stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Price**—By amendment. **Offering** — Temporarily postponed on June 22. To be made to common stockholders of record on the basis of one share for each five now held. **Proceeds** — Expenditures for equipment and facilities, retiring bank loans and debentures.

● **United Funds, Inc.**
April 13 filed 2,500,000 United Income Fund shares. **Price**—At market. **Underwriter**—Herrick, Waddell & Read, Inc. **Proceeds**—For investment.

United States Television Mfg. Corp. (7/8)
June 16 (letter of notification) 10,000 shares of common stock (par 50¢). **Price**—At market (about $3 per share). **Underwriters**—Willis H. Burnside & Co., Inc., and Mercer Hicks & Co. **Proceeds**—For account of three selling stockholders.

● **Westinghouse Electric Corp. (7/15)**
June 24 filed $80,000,000 of 25-year debentures and 900,000 shares of common stock (par $12.50). **Price** — By amendment. **Underwriter**—Kuhn, Loeb & Co. (for debentures). Stock will be offered to employees of company and its subsidiaries under an employees' purchase plan. **Proceeds**—Of debentures to be applied to prepayment of bank loans, stock proceeds for general corporate purposes.

● **William S. Bowling and Francis E. Gardiner, Bethesda, Md.**
June 21 (letter of notification) $80,000 of 5½% promissory notes, dated June 3, 1948. **Underwriter**—Although B. F. Saul Co. is not named specifically as underwriter, the firm will sell the notes, the money for which was advanced to the issuers by B. F. Saul Co. **Proceeds**—No purpose given.

Prospective Offerings

● **Central Maine Power Co.**
June 22 company applied to the SEC for authority to issue and sell through competitive bidding $5,000,000 first and general mortgage bonds series Q. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and W. E. Hutton & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. Proceeds to be used to reduce outstanding short-term construction notes aggregating $6,900,000, and for additional construction and other corporate purposes. Expected in July.

● **Commonwealth Edison Co., Chicago, Ill.**
In addition to the $50,000,000 of first mortgage bonds, series N, due 1978 filed June 29 with the SEC, the company expects to spend an additional $350,000,000 from 1948 through 1952 for its construction program. About $225,000,000 will be provided out of depreciation accruals, undistributed earnings and other funds of the company and its subsidiaries, and about $125,000,000 from the sale of additional securities at a later date, Probable underwriters: Halsey, Stuart & Co. Inc., The First Boston Corp., or Glore, Forgan & Co.

● **Continental Motors Corp.**
June 25 reported proposed offering of 300,000 shares of common stock in August. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—For additional working capital.

● **Du Mont (Allan B.) Laboratories, Inc.**
Stockholders will vote July 22 on creating 150,000 shares of 5% cumulative convertible preferred stock (par $20). **Price**—Expected at par. **Underwriters**—Van Alstyne, Noel & Co. and Gearhart & Co., Inc. **Proceeds**—For general corporate purposes.

● **Madison Gas & Electric Co.**
New financing will be necessary to provide funds for contemplated plant additions aggregating about $3,000,000, according to the annual report, but the form and amount of the financing have not yet been determined. Of said amount, approximately $1,900,000 will be spent in 1948 and the remainder in 1949.

● **New Jersey Power & Light Co. (7/7)**
The company has issued invitations for bids to be received up to noon (EDT) July 7 at its office, Room 2601, 61 Broadway, New York, N. Y. for $6,000,000 of first mortgage bonds due 1978. Proceeds will be used to finance company's construction program. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly).

Pennsylvania RR. (7/7)
Company will receive bids up to noon (EDST) July 7 at office of Geo. H. Pabst, Jr., Vice-President, Room 1811, Broad Street Station Bldg., Philadelphia 4, Pa., for the purchase of $9,900,000 equipment trust certificates, series T, dated May 1, 1948. They will mature $660,000 annually May 1, 1949-May 1, 1963. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

● **Richmond Water Service Co.**
June 24 reported considering refunding of outstanding bonds and preferred stock. Traditional underwriter—W. C. Langley & Co.

● **Sylvania Electric Products, Inc.**
On June 28 company announced as a second step in its financing program, plans are being discussed with Paine, Webber, Jackson & Curtis for the sale of 200,000 shares of common stock which is already authorized but unissued. Corporation is planning a sizable expansion for the production of cathode ray tubes for the rapidly growing television market.

● **Texas Gas Transmission Co.**
June 24 company announced plans to sell $60,000,000 of funded debt and to enter into a stand-by arrangement with banks to make $5,000,000 available on a term loan basis. A total of 23 purchasers have agreed to buy from the company 625,000 shares of its common stock at $8 a share. The company has also entered into an interim bank loan agreement with three banks to borrow up to $7,500,000. **Proceeds** — To pay for construction program.

● **Wheeling & Lake Erie Ry. (7/7)**
The company has issued invitations for bids to be received up to noon (EDT) July 7, for $3,200,000 in equipment trust certificates series P, dated July 15, 1948, to mature $160,000 semi-annually Jan. 15, 1949 to July 15, 1958. The proceeds will be used to finance not more than 80% of the cost of new equipment. Probable bidders: Harriman, Ripley & Co., Inc. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; and Harris Hall & Co. (Inc.).

● **Wisconsin Electric Power Co.**
June 21 reported North American Co. has arranged for the immediate sale and public distribution of its remaining holdings (as of July 1, 1948) of 26,742 shares of Wisconsin Electric common stock. Stockholders of North American on July 1 will receive 239,731 common shares of Wisconsin stock as a dividend.

Our Reporter's Report

Underwriters, in discussing the rousing success of the Pacific Gas & Electric Co.'s flotation of a million shares of $25 par value preferred stock, 5% series, lost no time in pointing out the fact that this was a "negotiated" undertaking.

And they proceeded to make out a strong case for direct negotiation between issuer and bankers in such instances, noting that in instances of competitive bidding there is a strong tendency to "overprice" an issue and, as a consequence, make it extremely difficult to move.

In the case of Pacific Gas & Electric's latest issue, it was shown that bankers were able to obtain the stock on a basis that permitted satisfactory pricing in relation to other outstanding preferred issues of the company.

The issue was brought out at a price of 26½ to yield the investor a return of 4.72%, which compared favorably with the return afforded on any of the several other preferred stocks which the big Pacific Coast utility has outstanding.

The outstanding 6% preferred series is selling around 33½ to return a yield of approximately 4.48%, while the 5½% preferred moves at a price of around 30 to afford a return to the buyer of somewhere around 4.55%. Neither of these issues, nor the small amount of 5% preferred now outstanding, is subject to call but the company reserves the right to redeem the new preferred.

N. Y. Telephone 3s

Marketing of New York Telephone Co.'s $90,000,000 of new refunding mortgage bonds, due July 1, 1981, bore all the earmarks of a quick operation.

Although some of the New England insurance companies were reportedly a bit cool to the issue, it was learned that several of the so-called "Big Five" had taken up substantial allotments.

The 33-year maturity fixed for the new series F issue apparently fitted well into various portfolios, thus making it additionally attractive.

The successful banking group paid the company a price of 100.67 for a 3% coupon and reoffered at 101⅛ to yield the investor a return of 2.945 per cent to maturity. The competing bid was about 41 basis points lower at 100.269991.

Another Big One Looms

Commonwealth Edison Co. gave the investment banking world another big issue to shoot for when it placed in registration this week $50,000,000 of new 30-year, first mortgage bonds.

The big Chicago power company proposes to offer the bonds for competitive bids upon effectiveness of the registration about July 19 next. Bidders will set the coupon rate and redemption prices will be fixed when the issue is awarded.

July Busy Month

Unless something happens to change the current market picture July shapes up as likely to be a busy month in the new issue field. With vacation-shortened staffs, underwriters apparently are in for a trying period.

There is now a round total of about a dozen sizable corporate issues involving about $240,000,000 on the potential list, including several large stock projections scheduled to go within the next three weeks.

Largest of these is Westinghouse Electric's issue of $80,000,000 long-term debentures, a negotiated deal with New Jersey Bell Telephone Co.'s $55,000,000 of 40-year debentures next in scope.

Other prospects include Public Service Electric & Gas, 200,000 shares of new $100 preferred; Equitable Gas Co., $14,000,000 first mortgage bonds, due 1973; N. J. Power & Light Co., $6,000,000 first mortgage bonds, due 1978; Northern States Power, (Minn.) $10,000,000 first mortgage bonds, due 1978 plus 200,000 shares of preferred; National Fuel Gas Co., $13,500,000 debentures, due 1973; American Bosch Corp., 535,882 shares common for the office of Alien Property; and New England Power Co. $11,000,000 of first mortgage bonds series B, due 1978.

The FDIC and Banking History

(Continued from page 9)

maintain a satisfactory balance between national and local interests; to maintain a national financial policy without putting undue handicaps upon the efforts of the local bank to serve its community.

Recognition of the need for a national credit policy led to the establishment of the First and Second Banks of the United States. The goal was to secure a banking system which would carry out national credit policies and yet be sufficiently responsive to local conditions so that the local businessman would not feel that he had to explain his credit needs to New York or Washington in order to have his requirements met. This problem was solved by the creation of a dual banking system which centers sufficient power in the Federal Reserve System to permit control of those credit policies which are by their nature national in scope, but which also protects the local bank in its duties of meeting the requirements of the local community.

Creation of FDIC

In the meantime, there is one intermediate step which Congress has taken which gives promise of at least easing the strain of depression. Creation of the Federal Deposit Insurance Corporation has protected the depositors in the banks against the strongest blows of deflation. Funds which businesses have put in the banks for safe-keeping and for use in hard times will actually be available when needed. The individual depositor will have his savings always available to ease him over the period of hard times. This is only a general statement without special reference to the $5,000 insurance limitation or to the fact that the Federal Deposit Insurance Corporation has been perfecting a technique of merging banks where possible so that all deposits are protected. The mere fact that this country is never again going to be subjected to widespread runs on the banks in itself should ease psychologically the extreme expansion and contraction to which we have been exposed in the past.

We of the Federal Deposit Insurance Corporation like to think that a new era of banking was brought in by the Banking Act of 1933. Today there are nearly 13,400 commercial banks and trust companies and 200 mutual savings banks whose deposits are insured by the Corporation. These institutions comprise 92% of all the banks in the nation, and they hold 95% of all the deposits which, as of Dec. 31, 1947, amounted to $154 billion.

In the more than 14 years of its operation, the Corporation has promptly advanced $87,000,000 in the 245 insured banks that have been placed in receivership. More than 330,000 depositors in those institutions were completely protected.

By authorization of the Banking Act of 1935, the Federal Deposit Insurance Corporation exerts every effort to forestall failures by aiding the merger of weak insured banks with stronger institutions. There have been 159 such mergers, with the Federal Deposit Insurance Corporation disbursing some $176,000,000 to protect an additional 1,000,000 depositors. The advantages of this type of action are that all depositors are fully protected and that there is no interruption to banking service in the community. The successor, or absorbing bank, takes over all sound assets of the weak bank. The difference between the amount of these sound assets and the deposit liabilities assumed by the continuing bank is paid promptly in cash by the Federal Deposit Insurance Corporation. The advantages of this latter technique, when it is made more flexible to care for situations where there is only one bank in a town or where existing competitors will not assume liabilities and assets, are obvious. It is the logical vehicle for depositor and community protection, in our opinion, and will be used wherever possible.

The Federal Deposit Insurance Corporation required not only Federal legislation but Federal capital to get it started in 1933. The Treasury and the 12 Federal Reserve banks subscribed $289 million to the Corporation's original capital at that time. Upon recommendation of the Corporation in 1946, a law enacted by Congress in 1947 empowered the Federal Deposit Insurance Corporation to repay this original investment in amounts that would not reduce its total capital and surplus below $1 billion. I am happy to report that all but $43 million of the original capital has been repaid and that we expect to have the balance repaid before the end of this year. We, as well as the banks, shall take pride in having an agency for the protection of depositors created and sponsored by the Government, yet financed entirely by the member banks for the protection of their depositors.

Dealer-Broker Recommendations

(Continued from page 8)

South La Salle Street, Chicago 4, Illinois.

Parker Appliance Company—circular — du Pont, Homsey Co. 31 Milk Street, Boston 9, Mass.

Pennsylvania Railroad—Memorandum in current issue of Fortnightly Investment Letter—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

In the same issue are memoranda on **Brooklyn Union Gas, Foster Wheeler Corp.,** and **Lehigh Valley Debt Readjustment.**

Philip Morris & Co. Ltd., Inc.—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Portsmouth Steel Corporation—Data—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Central Illinois Public Service, Seminole Oil & Gas** and **Beryllium Corp.**

Stromberg-Carlson Company—Circular—Gross, Rogers & Co., 458 South Spring Street, Los Angeles 13, Calif.

United Piece Dye—Description—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

U. S. Finishing Co.—Analytical description—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Winters & Crampton Corp.—Memorandum—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Wisconsin Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—Tyler G. Gregory, Jr., has been added to the staff of Dean Witter & Co., 38 South Los Robles Avenue.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Administration officials are taking steps to get across to the European governments the idea that they must undertake to borrow, and hence ultimately repay, an average of 20 cents out every dollar's worth of goods they get under the European Recovery Program.

Congress appropriated $5 billion for ERP proper, and specified that one billion of this should go out in the form of loans. Paul G. Hoffman, the National Advisory Council, and other agencies, mean to see that the recipient countries understand that they are expected to take their share of loans and are taking steps accordingly.

After conferences among the ECA Administrator, NAC officials, Export-Import bank officers, and others, a procedure has been worked out. Each country's capacity to absorb a part of the ECA hand-out in the form of loans is being worked out. When estimated it will be certified to that effect to ECA.

With this certification, ECA will call upon each ccountry to agree to undertake the loans or volume of loans assigned. If the particular country refuses to comply fully, then Administrator Hoffman has got a tough decision to make. One thing he might do is to reduce the total allocation of goods for each country under ECA by the amount of the refused loan. Or he can cut that country's allocation still further. Should he do this, however, he may have to report to Congress next winter that the full expenditures proposed for ERP cannot be met on a partial loan basis. Whether Hoffman will be "tough" or "easy" toward European governments which shy away from loans, is for the future to determine.

Mr. Hoffman has not yet indicated how he is thinking on this problem. However, one approach would be for him to advise the recipient governments that any hesitancy on their part to assume loans for an average of 20% of the aid would most certaintly lead to a reduction by Congress in the prospective aid which might otherwise be authorized for future years.

* * *

Although Congress failed to appropriate $500 million especially intended to provide Export-Import bank loans to Latin America, it is believed that any legitimate Latin American projects can be financed between now and the next session of Congress, when there will be more time to consider the loan program. E-I bank may be expected to press vigorously for this authorization when the new Congress meets.

One reason for not getting excited over the inability of Congress to appropriate the $500 million for Latin America is that completed, technically worked out loan applications are not expected before next winter beyond the capacity of the E-I bank and the World Bank, separately or together, to handle.

E-I bank still has uncommitted funds of $500 million. There are Latin American projects now receiving serious consideration by that bank to a total of $210 million. The World Bank also has a substantial volume of funds left, some of which could be utilized for making loans in the southern hemisphere.

* * *

There is considerable amusement over the "fast one" pulled by Rep. Walter Ploeser of Missouri to make sure that small business concerns will be able to get enough steel to handle any defense contracts or subcontracts they might be awarded.

Ploeser had passed the word that he was going to introduce a bill providing for a mandatory allocation of 20% of all steel to small business. Opponents of controls and allocation were watching for this bill, as it were, at the "front door."

Near the close of the session, Ploeser, who is Chairman of the special Small Business Committee of the House, slipped his allocation amendment on to the draft bill, and the Congress generally was not aware that this amendment had been adopted, through the "back door."

Actually the Ploeser amendment merely provides that the Secretary of Defense can "allocate" steel to any small business firm which lacks steel to fulfill a contract for the Armed forces. It is not an "allocation" as generally understood. It is strictly limited to steel for contracts for the Armed forces and probably will operate to provide that the Defense department will make a telephone call or two to get the steel for a contractor who actually is hung up for lack of this material. There is no way under which this amendment can be construed to give the Administration broad power to allocate steel generally or widely, along the line requested by the President and refused by the Congress.

* * *

One of the secrets behind the failure of the omnibus and public housing bill in the closing days of the 80th Congress was that the public housers got to taking their own propaganda line seriously, thereby causing themselves to stumble into their own trap.

Public housing advocates have the reputation around the capital city of being almost as zealous and pretty nearly as intolerant as the commies. Like the commies they rate a person in only two ways—as for them or against them. If one is against public housing, there is no motive too vicious to ascribe to the opponent.

Thus, the public housers had been shouting all over the place that their outstanding opponent, Chairman Jesse P. Wolcott of the House Banking Committee, was "the tool of the real estate lobby." Now the real estate lobby, like the union lobby, or the Democratic party, is made up of a lot of elements. One of the most important elements, however, consists of the builders.

Builders of houses, as the public housers declared, would never want Title VI of FHA—the insurance of mortgages at present inflated values—to die, because upon the continuance of this easy money does the present building boom depend. Builders would be desolate if this title expired. Preliminary signs actually are that builders really are pretty depressed now that this title has expired.

What the public housers did was to make the mistake of believing their own propaganda that Wolcott was so beholden to the real estate builders that, if forced into the ultimate corner in the last hour of the session, he would capitulate and take public housing as a condition to continuing Title VI another several months.

Wolcott didn't. Title VI is now dead. The easy money is stopping. And the public housers haven't got their bill either. They failed to realize that their opponents also can have principles, as well as play politics. Mortgage finance is now turning back to long-run standards, to sounder bases.

* * *

Air mail parcel post will be started September 1 by a new law and will help the air transport carriers to boost their revenues somewhat.

Postage rates for air mail parcel post will run to three or four times the cost of sending the same weight of package by surface transportation. Nevertheless, certain types of business houses may be expected to utilize the new service promptly, and many individuals will send urgent parcels by air.

Postal officials anticipate that by the end of two years air parcel post will become equal in weight to the present volume of air mail, now first class. Since the air carriers are now operating overall at about 60% of capacity, they can carry this double volume of mail without crowding their facilities.

A doubled volume of air mail, however, will fall short of doubling the air mail revenues of the air transport companies with mail contracts. In 1947 air mail pay, which finally may run around $30 million, will amount to only about 7% of gross revenues.

This $30 million figure will not be doubled because of the provisions of air mail contracts. Certain of the carriers, while paid on a ton mile basis, receive a diminishing ton mile rate as the tonnage increases. Certain other carriers, however, receive flat minimum air mail compensation. Many of these do not transport the total tonnage which they may be required to handle at the minimum rate. Hence for such companies air mail parcel post at first will lead to an increased load of air mail without a corresponding boost in air mail pay. Still a third class of contracts calls for a flat ton mile pay regardless of volume. Carriers having such contracts will benefit immediately and directly in proportion as air mail parcel post tonnage increases their traffic in mail.

* * *

In 1897 Congress received its first bill proposing to attack stream pollution. In 1921 the first Congressional hearing ever to be devoted to water pollution was held. Just a few days before the adjournment of 80th Congress, there was enacted into law a 5-year program for combating stream pollution at a total outside cost of about $25 million a year, or an aggregate of $125 million.

BUSINESS BUZZ

"Hand over the dough in all your accounts except A-152967—that's my account!"